

# Herald Tribune

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## North Cranks Up Tension In Korea

By Kevin Sullivan  
Washington Post Service

SEOUL — In a morgue somewhere in South Korea, the bodies of 22 North Koreans lie on ice. As the angry rhetoric between the two Koreas escalates to its most shrill levels in more than two years, those bullet-riddled bodies have become an increasingly prickly issue here.

The dead are crewmen from a submarine that went aground on the South's east coast two weeks ago. A massive search by 40,000 troops led to the capture of one commando, the killing of 11 and the discovery of the bodies of 11 others who Seoul says were killed by fellow North Koreans. Three other men remain on the run.

The case has raised already high tension between the two Koreas. Now the North's angry insistence on the return of the bodies, and its ominous threats of retaliation if they are not returned, have further inflamed raw nerves on a tense peninsula.

North Korea says the vessel innocently drifted 60 miles into enemy territory after developing engine trouble, an argument they repeated Wednesday in a meeting with UN officials in the border village of Panmunjom. When UN representatives dismissed that argument, North Korean military officials warned that there would be "serious consequences" if the ship and crew were not returned immediately.

Jim Coles, spokesman for the U.S.-led UN Command in Seoul, said the North Koreans' threat was "not necessarily a threat of military retaliation; they seem to think they have some other cards to play." He said he did not know what those might be.

Last week, the official North Korean news agency warned that the "retaliation may be hundred-fold or thousandfold," adding that "time is not unlimited" for the return of ship and crew, and that South Korea's "firing should be answered with firing."

The South Korean response has been equally harsh, with the official Yonhap News Agency calling the request for the bodies' return "absurd." Captain Park Kyun Yol, spokesman for the Defense Ministry, said South Korea would not even discuss returning the bodies until "North Korea apologizes and guarantees that there won't be any such incidents in the future," conditions it is not likely to meet.

Relations on the peninsula are at their worst since 1994, before Pyongyang was persuaded to suspend its nuclear weapons program in exchange for nuclear power plants and fuel oil.

Western and South Korean observers here said they believed the North does not really care whether the bodies are returned. They said Pyongyang was using the bodies to deflect attention from its incursion into the South. By insisting that the soldiers were innocent victims of a massacre and demanding their return, the North Koreans fend off questions about why their soldiers were there in the first place. But

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Mr. Arafat and Mr. Netanyahu at the White House on Wednesday.

## Troubled Summit Yields Renewed Talks on Hebron

Despite Discord, Clinton Sees 'A Higher Level of Trust'

By Brian Knowlton  
International Herald Tribune

WASHINGTON — President Bill Clinton announced Wednesday that Prime Minister Benjamin Netanyahu of Israel and Yasser Arafat, will resume talks Sunday on the withdrawal of most Israeli forces from the West Bank city of Hebron.

Speaking from the White House East Room at the end of two days of intensive talks, he acknowledged that the parties "were not able to resolve their differences here."

But he said that Mr. Netanyahu and Mr. Arafat were "ready to renew and intensify negotiations" on carrying out the Oslo peace accords and would give priority to the critical issue of Hebron.

The agreement to resume talks appeared to salvage the hastily arranged Washington summit meeting from outright failure.

But it essentially brought a recommendation by the parties to talk again about issues supposedly resolved by the Oslo agreements, and it appeared to give Mr. Arafat little to take back to his people.

The Oslo accords brought limited independence to Palestinians in the occupied territories, in exchange for peace with Israel.

"The problems are still there; the differences are still there," Mr. Clinton said, "but I believe there is a higher level of understanding and a higher level of trust than existed before these talks began. I am convinced that both sides want the quickest possible resolution."

He announced that he was sending his special Middle East coordinator, Dennis Ross, to the region to assist with the first meeting, to take place Sunday in the town of Erez on the Israeli-Gaza border.

Mr. Netanyahu, in a separate news conference later, insisted that real strides had been made toward peace, and would continue to be made.

"We've made it very clear that we are committed to a redeployment in Hebron," he said. "We're not reluctant to do it, we're prepared to do it."

He said the meetings Tuesday and Wednesday, his first of any length with Mr. Arafat, had provided "a good start, because we established a greater degree of mutual trust." King Hussein of Jordan also attended the summit meeting.

Mr. Arafat did not issue a statement and was reportedly preparing to leave Washington to return to the Middle East.

Initial comments from Palestinian leaders in the region were highly negative.

The peace process is on the verge of collapse," said Mustafa Natsheh, the mayor of Hebron.

"Unless international and Arab public opinion and Israeli peace groups move, the area will not witness any calm and the cycle of violence will return anew," he said.

"The summit has failed because of Israeli intransigence," Hasan Asfour, a Palestinian negotiator, told Reuters. "I hope that the Arab nation has realized what awaits us."

Mr. Clinton sought preemptively to defend himself from assertions that the Washington meeting had failed.

"We have not made as much progress as I wish we had," he said.

But he cited progress on the three goals Americans considered most urgent: curbing the recent spasm of killing, getting the Israelis and Palestinians talking at the highest levels, and giving new life to the stalled peace negotiations.

Administration aides have acknowledged that Mr. Clinton was running a political risk by convening the summit meeting with no assurance of substantive progress. Indeed, criticism was quick to come from Newt Gingrich, the speaker of the House of Representatives, who said that Mr. Clinton had been rash to call the meeting without better preparation.

In a news conference after the president spoke, Secretary Warren Christopher portrayed the summit meeting as a worthwhile investment of presidential

See HEBRON, Page 10

## A Dusty City Where Mistrust Governs

By Edward Cody  
Washington Post Service

HEBRON, West Bank — Thousands of miles from the negotiating tables of Washington, Arabs and Israelis are playing out their unbending and seemingly irreconcilable claims to control of the gritty, rock-strewn streets of Hebron.

From zealous Jews visiting Abraham's tomb under the guard of Israeli soldiers in battle gear to frustrated Palestinians vowing an "uprising of arms" unless the Israelis withdraw, this dusty West Bank city presents a tableau of extremism, suspicion and coiled violence ready to spring.

"You know, for me, it's ugly," sighed a red-beretted Israeli soldier manning a checkpoint on the edge of town.

He blew air through pursed lips as if to spit out his disgust, adding: "I'd rather be home."

The sights and sounds of Hebron, 30 kilometers (18 miles) southwest of Jerusalem and a world away from Washington, constitute an enormous — and immediate — challenge to the U.S. Palestinian and Israeli leaders gathered to repair a tattered peace agreement.

It is the last major West Bank city under full Israeli occupation and has been pinpointed as the logical place to

start restoring a sense of momentum to the stalled Israeli-Palestinian peace process after last week's explosion of violence.

Under accords reached three years ago in Oslo and detailed in subsequent talks, Israeli forces were to have pulled out of Hebron last March, leaving overall control to Yasser Arafat's Palestinian Authority.

The bargain provided for only a small Israeli Army detachment to remain behind to guard, amid 80,000 hostile Palestinians, 450 pioneering Jewish settlers who have taken up residence with the



Israeli soldiers in Hebron leading away a Palestinian for violating curfew Wednesday in the West Bank town.

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## Sandinistas' Election Strategy: Turn On the Charm

By Douglas Farah  
Washington Post Service

MANAGUA — The Sandinistas, whose militant socialist regime in Nicaragua went from victory in a revolution to defeat at the ballot box, have undergone a startling facelift that has propelled them into contention in this month's highly polarized presidential election.

Daniel Ortega Saavedra, a leader of the revolution that toppled Anastasio Somoza, a dictator supported by the United States, in 1979, has ditched his battle fatigues for a white dress shirt as he runs for president. His long hair has been trimmed for a more conservative, fashionable look.

Newsstand Prices	
Andorra	10.00 FF Lebanon
Armenia	12.50 FF Morocco
Cameroon	1.600 CFA Qatar
Egypt	1.000 FF Saudi Arabia
France	1.000 FF Senegal
Gabon	1.100 CFA Spain
Greece	360 Dr. PTAS
Italy	2.800 Lire Tunisia
Ivory Coast	1.250 CFA U.A.E.
Jordan	1.250 JD U.S. Mil. (Eur.)

Stealing a page from Violeta Barrios de Chamorro, who unseated him in the presidential election in 1990, Mr. Ortega has launched a series of television commercials promising "A Government for Everyone," suffused with soft light — and very few words from the candidate.

The blistering party anthem that declared the United States the "enemy of humanity" has been replaced by the "Ode to Joy" from Beethoven's Ninth Symphony, which is played endlessly at campaign rallies.

The talk of "socialism or death" that

made the Sandinistas the heroes of Latin America's revolutionary left and the hate objects of the Reagan administration has been replaced by promises of respect for the free market and of friendly relations with Washington.

Instead of selecting a paragon of the revolution to be Mr. Ortega's running mate, the Sandinistas chose Juan Manuel Caldera, a rancher whose land was confiscated by the Sandinista government. All the hard-line Sandinista leaders, including Tomas Borge and Mr. Ortega's brother Humberto, have been

largely absent from the campaign.

It seems to be working. After spending months as the decided underdog in the election Oct. 20, when a National Assembly will also be chosen, Mr. Ortega, once 20 points behind, is now shown in public opinion polls to be about even with Arnoldo Aleman, the rightist candidate.

Polls show support for both candidates at roughly 38 percent to 40 percent. If no one wins 45 percent of the vote, a

See NICARAGUA, Page 10

## Paris Asks, Will She or Won't She?

By Craig R. Whitney  
New York Times Service

PARIS — Whether President Bill Clinton wins next month's election or not, his ambassador to France, Pamela Harriman, seems to be getting ready to return to Washington next year.

Mrs. Harriman turned 76 last March, and last summer, after three years in the post here, she set tongues wagging across Paris by hinting that her resignation at the end of the current presidential term might be no mere formality even if Mr. Clinton stayed in the White House.

Things quickly got out of hand, because Mrs. Harriman is a celebrity here and because French government officials give her much of the credit for a considerable improvement in the tone of French-American relations since Jacques

Chirac became president in May of 1995. Mr. Chirac, whose offices are almost next door to the elegant U.S. ambassadorial residence, gets most of the credit, of course, but he and his staff make no secret of his admiration for Mrs. Harriman.

Instead of highlighting their differences, the two countries have broken precedent by playing them down. This approach prevailed when Mr. Chirac was on the phone with Mrs. Harriman and Mr. Clinton to explain that France could not approve the U.S. bombing raids on Iraq last month, but would not denounce them, either.

But personal friendship and diplomacy have not prevented Mr. Chirac from expressing vigorous disapproval of laws signed by Mr. Clinton that would punish European

See AMBASSADOR, Page 7

## Credit Lyonnais: Saga of a Scandal

Although much of the Credit Lyonnais story is hidden in sealed documents, various sources have produced a broad outline of what happened as the French bank went from a high-flying player to a giant taxpayer liability. (Page 13)

## Patten Gives Notice: No Quiet Exit

Hong Kong's Governor Won't 'Tiptoe' Offstage

By Keith B. Richburg  
Washington Post Service

HONG KONG — His job will end in nine months. The ornate mansion he now occupies will become another relic of this territory's colonial past. But Chris Patten, Hong Kong's 28th and last British governor here, showed yet again Wednesday that if the arc of history dictates he must go, well, no one said he had to go quietly.

The governor, who in the past has angered the Chinese by his efforts to move Hong Kong to fuller democracy, used his last "state of the colony" speech before the legislature on Wednesday to take a verbal broadside at Beijing's plan to abolish the elected lawmaking body and replace it with an appointed "provisional" one.

Declaring that he had no intention to "tiptoe" through the next few months, Mr. Patten struck a combative tone in telling China that the "provisional legislature," due to be named next month, could expect no help from the outgoing British-led administration, and he warned that such a handpicked body might be declared illegal in Hong Kong's courts if it tried to start up operations and begin voting on laws before the official July 1, 1997, handover date.

"It is unnecessary as well as provocative and we will have nothing to do with it," Mr. Patten said in a valedictory speech that was bound to rouse Beijing again. "We will not assist a 'provisional' legislature's establishment, its operation or its ability to withstand legal challenge."

Mr. Patten's speech was aimed partly at combating the impression that his is now a "lame duck" administration with little relevance, as the turnover to the Chinese nears and much of the local attention is focused on pronouncements from Beijing and on the jockeying for the chief executive's post.

"You cannot turn government on and off like a combustion engine," he said. "It will be business as usual, punctuated admittedly by some unique events. We still have plenty to do. And we intend to do plenty."

The Democratic Party, the largest in the legislature, was sharply critical of Mr. Patten's speech, saying afterward

## AGENDA

### U.S. and European Stocks Soar

Dow Jones		Trib Index	
Up	29.07	Up	0.45%
5833.97		141.73	
The Dollar			
New York	1.5325	previous close	1.5263
DM	1.5653		1.5647
Pound	1.11875		1.11435
Yen	5.185		5.1685

U.S. and European stock markets rallied Wednesday, buoyed by optimism about the world economy and steady interest rates.

The Dow Jones industrial average set a record for the second day on expectations that business and consumer spending will increase.

The Financial Times-Stock Exchange 100-share index in Britain set a record, while France's CAC-40 and Germany's DAX indexes rallied.

"You have a sort of worldwide consensus developing that the global economy is growing at a moderate pace," an analyst said. "It's regarded as an environment in which profits and growth will continue." (Page 13)

### Hindus Offer Haven To Swiss 'Mad Cows'

ZURICH (Reuters) — A Nepal-based Hindu group has urged Switzerland to drop its plan to slaughter 230,000 cattle and offered what they consider sacred beasts a home in the Himalayas if Bern gave it the money to be used for a "mad cow" cull. An Economic Ministry spokesman said the government was unlikely to accept the offer.

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## New Era for American Trains? / Praying for Speed

## Amtrak and Florida Aim to Drag Railroads Into the Next Century

By Brian Knowlton  
International Herald Tribune

WASHINGTON — Japan's *Shinkansen*, the sleek pioneer, showed what high-speed trains can do. A proud descendant, the French TGV, goes faster and farther; it carries nearly as many people each year as live in all of France. In Germany, the government plans to build a train that will float above the rails to take visitors in style to its refurbished capital in Berlin.

High-speed rail has caught on in a big way across Europe and in a growing number of Asian nations.

But in the United States, home of the iron horse, trains today are seen more as symbols of obsolescence than of achievement, pale shadows of their glory days.

That may be changing. Two closely watched efforts to push high-speed rail to the forefront are under way. They aim to showcase its potential and prove its profitability. They could, advocates say, catch the eye of a nation as skeptical about trains as it remains wide-eyed about cars.

In the Northeast, Amtrak is proceeding with a \$750 million upgrade to allow 150-mile-an-hour (240-kilometer-an-hour) service along nearly the entire 456-mile line between Washington and Boston, lopping two hours off the seven and a half hour trip. That represents the biggest single investment ever by the cash-strapped passenger railroad.

These cutting-edge trains will be designed with business travelers in mind, providing fax/modem outlets at each of the 345 seats. Passenger cars will tilt in the curves, for greater speed and comfort.

In Florida, meanwhile, high-speed rail links are being planned between Miami, Orlando and Tampa. The Florida Overland Express project will combine private money with an extraordinary degree of state financial backing — and not a nickel of federal money.

Train lovers believe that projects like these should sell themselves. After all, they note, electric trains are clean (they pollute less than most forms of transportation), they are punctual (France's TGV trains averaged exactly 29 seconds late in 1990), and they are safe (not a single death has been recorded on lines that do not share their tracks with other trains).

The high-speed corridors are also extremely expensive, costing from \$2 million to \$50 million per route-mile to build, depending on which technology is adopted. That is why fast-train advocates have spent years in frustrating battle, and promising projects in California, Ohio, Pennsylvania, Texas and elsewhere have been derailed.

The only real high-speed line now is the Washington-New York Metroliner, and even that reaches speeds of 125 miles an hour on only a part of its run.

Meanwhile, countries like France and Japan have willingly borne the costs, viewing high-speed rail as a showcase for national industrial achievement.

American legislators, for their part, have grown steadily more tight-fisted. Amtrak, the semipublic passenger train system, has seen federal support cut nearly in half since the beginning of 1995.

That is one reason, said David Carol, Amtrak vice president for high-speed rail, that the success of the Northeast corridor project "has become critical to our future."

The project is considered promising because of the area's dense population, its saturated roads and airports, its culture

of heavy mass-transit use and the distances involved.

Planners say rail is most competitive against air travel over distances that can be covered in three hours or less — like New York-Washington, Paris-Lyon or Tokyo-Osaka.

Amtrak selected French TGV-style locomotives for the Northeast corridor, in part because of their record of success, reliability and popularity. These trains *trains a grande vitesse* fly along so smoothly that some passengers say they feel cheated, deprived of any sensation of the astonishing speeds. Many people ride the TGV purely for the experience of flying along at a top speed of 300 kilometers an hour, not because they need to go anywhere, French rail officials say.

Passengers on the Northeast corridor will ride in cars, made by the Canadian firm Bombardier, that can tilt when the trains whiz through curves. That technology, already in use in Canada, Germany, Italy and Sweden, allows greater comfort at higher speeds, particularly important on the winding route between New York and Boston.

Trains themselves constitute only about 15 percent to 20 percent of the cost of a high-speed upgrade. The big costs are for installing better, straighter track and electronic signaling equipment.

AMTRAK expects the Northeast corridor to attract 2 million to 3 million new riders a year, generating \$150 million in additional revenue.

"We expect to be able to prove that high-speed rail can be profitable," said Mr. Carol. "This will wake up the financial community and the corporations."

The financing of the Florida project is also being watched closely.

Most high-speed proposals in the United States have relied on public money, which is scarce, or on private investors, understandably skittish about huge risks and slow paybacks.

"They've tried all federal money, which failed, and all private money, which failed," said Paul Reistrup, a former Amtrak president. "A mix is needed."

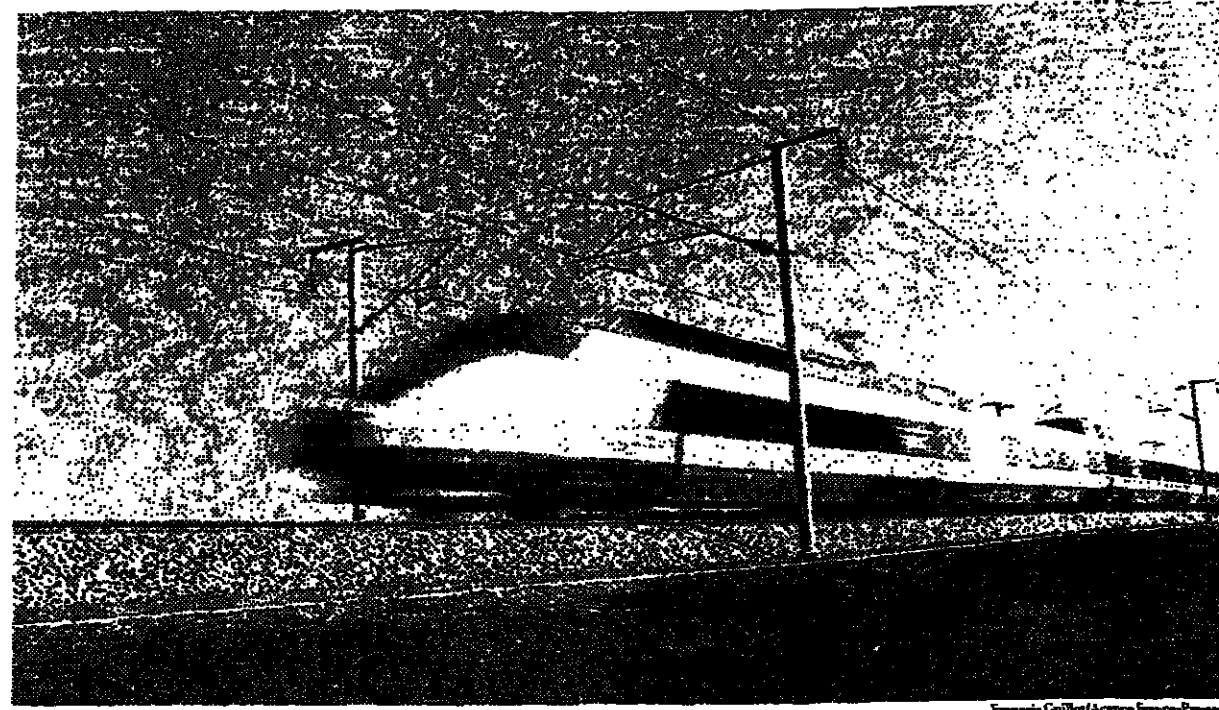
Florida has committed \$70 million a year to the project for the next 30 years, a total of \$2.1 billion. "That's an enormous amount for any state to do," Mr. Carol said. But the private sector will be deeply involved as well.

The 228-mile link between Miami and Orlando is scheduled to open by 2004, with an 85-mile Orlando-Tampa leg to be added two years later.

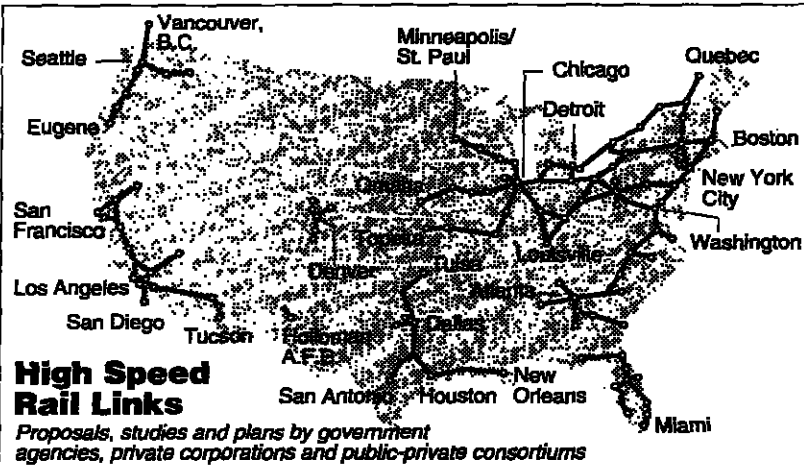
GEC Alsthom, which developed the French TGV, will manufacture the locomotives, undercarriages and propulsion system. Bombardier will make the cars.

Two companies had offered bids based on magnetic-levitation technology, which many rail experts see as the future of train travel. By using magnetism to allow trains to float just above rails, far greater speeds are permitted: trains can run much closer together, and rail maintenance is greatly reduced. But Florida wanted TGV because of its record of reliability and safety.

Several factors helped sell Florida officials on the idea of a high-speed line. Some of them apply in other states:



François Collard/Agence France-Press



Source: High Speed Rail/Maglev Association

International Herald Tribune

High Speed Rail Links

Proposals, studies and plans by government agencies, private corporations and public-private consortiums

Source: High Speed Rail/Maglev Association

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Amtrak has selected France's TGV-style locomotives for its Northeast corridor, in part because of their record of success, reliability and popularity. The TGVs, which can hit top speeds of about 300 kilometers an hour, were an average 29 seconds late in 1990.

THE Federal Railroad Administration sees great potential for high-speed lines. In a new report, it identified six corridors, plus Florida and the Northeast, where it said high-speed rail made sense: the line from New York City to Albany and Buffalo; lines from Chicago to Detroit, Milwaukee and St. Louis, Missouri; a California link from the San Francisco Bay area to Los Angeles and on to San Diego; a Texas triangle formed by Dallas-Fort Worth, Houston and San Antonio; a Northwest link from Eugene, Oregon, to Portland, Seattle and then Vancouver, and a southeast line from Washington to Charlotte, North Carolina.

Much now will depend on efforts to persuade Congress to give rail a larger, not smaller, piece of the transportation pie. Amtrak has seen its operating subsidies fall in six years, to \$200 million a year from \$554 million.

In many ways, Amtrak has slimmed down sensibly. But like the diet that turns to anorexia, passenger rail has gone beyond attractively slim to skeletal. Cutbacks in service to some cities has made it an unreliable alternative for many users, in some cases sounding its death knell.

On Tuesday, Senator Kay Bailey Hutchison of Texas said that states will have to contribute more if they want to keep their trains running.

Senator Hutchison, who chairs the Senate surface transportation subcommittee, said: "Every state that is going to keep Amtrak is going to put up money, and that's as it should be. We can have a federal-state partnership, but the states will have to determine if this is a priority for them."

The railroad administration says the Northeast corridor could be carrying four times as many passengers by 2020, and that millions could be using other high-speed routes.

## CIA-Drug Link Report: Less Than Meets the Eye

By Howard Kurtz  
Washington Post Service

WASHINGTON — For more than a month, some journalists and politicians have been tracing a series published in the San Jose Mercury News that they say links the CIA to drug trafficking in the United States.

The articles have been hailed by writers, broadcasters and ordinary people who say they show that the government allowed the Nicaraguan contras to introduce crack cocaine to inner-city Los Angeles, thereby raising money to fight communism while devastating American communities.

There is just one problem: The series does not actually say the CIA knew about the drug trafficking, as the author, Gary Webb, admits. "We've never pretended otherwise," he said in a telephone interview. "This doesn't prove the CIA targeted black communities. It doesn't say this was ordered by the CIA."

He added: "Essentially, our trail stopped at the door of the CIA. They wouldn't return my phone calls."

Mr. Webb does not quote any CIA official or any government document in the articles as saying the agency knew two contra supporters were selling drugs in Los Angeles, or that proceeds were used to finance the Nicaraguan rebels. Yet anyone glancing at the logo for the "Dark Alliance" series — the CIA's insignia superimposed over a man smoking crack — might be forgiven for thinking the two were connected. And Mr. Webb's repeated use of the phrase "the CIA's army" — referring to the former Nicaraguan contra supporters who were involved in drug trafficking — clearly suggests that the agency was involved.

Mr. Webb writes, for example, that

crack "was virtually unobtainable in black neighborhoods before members of the CIA's army started bringing it into South-Central L.A., in the 1980s at bargain-basement prices."

The executive editor of the Mercury News, Jerry Ceppos, said he was "disturbed" by the "leap" that many people have made about the CIA's involvement, which he said Mr. Webb "was so careful not to make."

He said the series "raised the question" of CIA involvement in drug trafficking and showed "at the very least, the CIA was not very careful about the people with whom it dealt."

The main players in the series are two former contra sympathizers, Oscar Danilo Blandon and Juan Norwin Meneses, convicted dealers who sold drugs in Los Angeles.

Mr. Webb said: "People say the story says a lot of things it doesn't say. People have spun it that way, either because they believe that themselves or because they want the story to say that so they can say it doesn't prove that at all." The closest the articles come to citing CIA complicity directly is when Mr. Webb quotes Mr. Blandon, now a government informant, as saying he sold drugs on "orders... from other people."

The fact that some Nicaraguan rebels were involved in drug trafficking has been known for a decade. The Reagan administration acknowledged as much in the 1980s, but subsequent investigations failed to prove that the CIA condoned or even knew about it.

The CIA director, John Deutch, said that there was "no substance to the allegations in the Mercury News" and that the agency had no relationship with the two dealers, but he has ordered an investigation. The Justice Department is also investigating.

## U.S. Is Recruiting Americans for UN Force in Haiti

By Larry Rohter  
New York Times Service

MIAMI — The United States is recruiting American police officers for the existing United Nations peacekeeping force in Haiti, stepping up its commitment to maintaining order there.

The move comes amid signs of a security crisis, including recent plots to assassinate government officials, the shooting deaths of a pair of opposition figures and an attack on police headquarters.

In addition, eight Haitian police officers have been assassinated in recent months by what officials in Haiti describe as an anti-government death squad. In mid-August, a Haitian-American former policeman in Miami, who

had gone to Haiti to train police recruits, was shot to death.

In response, at least 25 American police officers are scheduled to be sent to Port-au-Prince, security officials in Haiti said.

Last month, nearly 40 State Department security agents were sent to Haiti after a purge of President Rene Preval's security detachment. In July, the Clinton administration began sending small detachments of U.S. soldiers to Haiti each month as part of what are officially described as training exercises.

Lee McClenny, a spokesman for the State Department, described the new recruiting effort as "one of a number of options" the administration is examining as ways to support Haiti's democratically elected government.

## TRAVEL UPDATE

## Paris Expects 5th Day Of Train Disruptions

PARIS (AFP) — Train services to and from eastern suburbs of Paris are expected to be disrupted again Thursday because of strikes for the fifth straight day, officials said Wednesday.

About 50 percent of trains will run on suburban lines in the region, said the SNCF, the national rail authority. Mainline trains will not be affected.

The striking workers were due to vote later Wednesday on whether to end their dispute, but even if they decided to return to work, services will be disrupted Thursday morning for technical reasons, the railroad said.

## Strike Silences La Scala

MILAN (AP) — A strike Wednesday by La Scala workers during the city's "fashion week" of shows and events forced the cancellation of the world premiere of "Otello," a modern opera by composer Luciano Berio. At the same time, transport workers struck for four hours.

## U.S. Airline Subsidies

WASHINGTON (AP) — Lawmakers are poised to double the subsidies for rural airline service and provide them with a permanent source of funding — a tax on foreign airlines.

A provision in an authorization bill for the Federal Aviation Administration would raise \$50 million a year for rural air subsidies beginning in 1998. The money would come from a fee on foreign carriers that fly over the United States.

At least eight flights were delayed Wednesday as technical ground staff at South African Airways enforced a work-to-rule action at airports across the country. (AFP)

## Peruvian Jet Carrying 70 Crashes in Sea

Compiled by Our Staff From Dispatches

ANCON, Peru — A Peruvian jetliner carrying 70 people crashed into the Pacific Ocean on Wednesday after the pilot reported that his navigational system had failed. There were no signs of survivors among the passengers, 21 of whom had boarded in Miami.

Navy patrol boats found the wreckage of the plane 65 kilometers (40 miles) west of the town of Ancon, said Admiral Jaime Monge, head of navy rescue operations. The fuselage of the Boeing 757-200 had split in half.

Heavy fog was hampering efforts to find anyone who might be alive in the frigid waters, he said. The plane was carrying 61 passengers and 9 crew members, according to the airline.

Aeropero Flight 603 had flown from Miami to Lima and was en route to Santiago when the pilot, Erick Schreiber, said he lost his bearings.

Transport Minister Elsa Carrera de Escalante said a computer failure appeared to have caused the crash. "We have listened to the recordings of the pilot," she said in a radio interview. "It seems that there was a blockage in the computer system."

She quoted the pilot as asking: "What's happening? What altitude am I at? What is my ground crash alarm on? Am I over land or sea?"

The plane left Lima at 12:42 A.M. and the pilot reported mechanical failure five minutes later, asking to return to

Lima, the airline said. The transportation minister said the tower told the pilot that he was over the ocean and that a guide plane would arrive in 15 minutes. The tower lost contact with the plane at 1:10 A.M.

Aeropero said the 70 victims came from 11 different countries in North America, Europe and Latin America. At a news conference, airline officials listed 30 victims from Chile, 20 from Peru, including the nine-man crew, six from Mexico, four from the United States, two from Italy, two from Britain, two from Ecuador, and one each from New Zealand, Spain, Colombia and Venezuela.

Of the passengers, 21 had boarded the flight en route to Chile after connecting from Miami, according to Aeropero's Miami operations manager, Raul Chiappero.

Armando Vicente, airport manager in Lima, said the aircraft was not the same plane that left Miami. Both the plane and crew were changed in Lima, but the flight number remained the same, he said.

Helicopters combed the sea close to the crash site, and reported nothing but oil stains and objects near the coast that looked like baggage.

Officials of Boeing and of the engine maker, Pratt & Whitney, were headed to Peru to aid the inquiry. (AP, Reuters)

## Pollution Toll in India: 40,000

Agence France-Press

NEW DELHI — Air pollution kills more than 40,000 people in six Indian cities every year, a World Bank survey says.

New Delhi, the world's fourth-most-polluted city, is responsible for 7,500 deaths each year. The other five cities are Ahmedabad, Bombay, Calcutta, Kanpur and Nagpur.

The study, conducted by two World Bank staff members based in Washington, Carter Brandon and Kristina Hommann, also said health treatment for water and air pollution ran to 245 billion rupees (\$7 billion dollars) annually.

"The total health cost borne by Indians due to the effects of massive environmental degradation and pollution is 340 billion rupees," it said.



THE AMERICAS

# Rebuff on Debate Forces Perot Out Into the Open

Compiled by Our Staff From Dispatches

DALLAS — His strategy of high-profile debates and a blitz of television advertising now in shambles, Ross Perot is preparing to shed his campaign cocoon and emerge as a more traditional candidate.

"We can now go full bore. You're going to see a lot more of Ross Perot," his running mate, Pat Choate, said after a judge on Tuesday rejected Mr. Perot's bid to be included in this month's presidential debates.

Mr. Perot and the presidential candidate of the Natural Law Party, John Hagelin, were granted an expedited appeal to try to resolve the issue before the first debate Sunday between President Bill Clinton and the Republican challenger, Bob Dole.

Arguments before the U.S. Court of Appeals were set for Thursday in

Washington, but the Reform Party ticket wasn't counting on anything.

Mr. Choate said the campaign would shift gears by scheduling political rallies and press conferences — public appearances — Mr. Perot has studiously avoided since he accepted his party's nomination Aug. 18.

"Now, we're going to try to meet the public through the media," said Mr. Choate, an economist who has not been shy about making solo campaign appearances and giving interviews on television and radio.

"In anticipation, we have husbanded our resources very carefully and we have a vast preponderance of

all of our money in the bank," he added. He was referring to the \$29.2 million in federal funds that has been made available to the Perot campaign.

Mr. Perot has isolated himself so far in his second independent bid for the White House, campaigning primarily from a television studio in Dallas. He has had just one political rally — in St. Louis, Missouri, the site of what was to have been the first debate — and has appeared publicly only about once a week, usually before business groups.

In the remaining five weeks before Election Day, Mr. Perot has just two scheduled appearances — Monday in San Francisco and Oct. 22 in Los Angeles — and two 30-minute advertisements set to air.

"Now that we know what the plan is we'll move forward," said Mr.

Perot's spokeswoman, Sharon Holman, hinting at changes to come.

The judge who dashed Mr. Perot's and Mr. Hagelin's hopes Tuesday of taking part in the debates ruled that they had failed to prove that excluding them violated the law.

U.S. District Judge Thomas Hogan said he understood that Mr. Perot and Mr. Hagelin were frustrated at being kept out of the debates. He said he also shared their wish for "a more open and accessible" process in which all candidates could air their views.

But he said he believed that he had no choice under the law but to refuse to force the private, nonprofit Commission on Presidential Debates to include the two, and he dismissed their lawsuits.

"Perhaps a more open and ac-

cessible debate should be heard by the American public," Judge Hogan mused in a nearly 50-minute ruling. "Sometimes one wishes we had more of the British system, where party leaders debate many different characters."

He said Mr. Perot and Mr. Hagelin had failed to convince him that their cause was the "exception" to a law that requires complaints like theirs to be heard first by the Federal Election Commission.

He also said they had failed to prove that the Commission on Presidential Debates — formed by the two major parties in 1987 — was a "state actor" or a "quasi" government agency because of its power to decide who will take part in debates. As a result, they could not show that their constitutional rights were violated. (AP, WP)

## More Kissing Trouble; This Time the Boy Is 7

The Associated Press

NEW YORK — A 7-year-old boy who kissed a classmate and ripped a button off her skirt has been suspended for sexual harassment, two weeks after a North Carolina 6-year-old pupil was punished for kissing a girl in his class.

The 7-year-old pupil, De'Andre Dearing, got a five-day suspension from his public school, the New York Daily News reported Wednesday.

"Sexual harassment for a 7-year-old second-grader? That's crazy," said De'Andre's mother, Erica White, 23. De'Andre said he kissed a classmate, "because I like her."

He explained ripping off the button as an idea he got from the book "Corduroy," about a bear with a missing button.

The boy brought home a note from the principal, Gerri Perriotti, that said he had been suspended.

"If a child comes to us and says, 'So-and-so did such-and-such to me,' we listen and we investigate. We were given guidelines as to why we suspend children. We follow the guidelines," the principal said. The guidelines define sexual harassment as sexually suggestive comments or inappropriate physical contact of a sexual nature.

## ELECTION '96

### The 1997 Budget That Wasn't

WASHINGTON — In the summer of 1995, the Republican-controlled Congress adopted a detailed blueprint for balancing the budget in seven years. It allowed \$487.4 billion for federal departments and agencies in the fiscal year that began Tuesday.

It was a bold try, but it was not to be. Under terms of last week's budget deal between the Clinton administration and Congress, that figure grew to \$503 billion, to accommodate spending on Democratic priorities such as federal aid to education and environmental protection, as well as favorite Republican causes such as defense, law enforcement and health research.

The retreat from the target does not necessarily mean the goal of a balanced budget by 2002 is unattainable, budget analysts said Tuesday. President Bill Clinton and Republican leaders are committed to it and have issued proposals for reaching it.

But by easing the constraints, the deal could make the fiscal decisions faced by the next president and Congress even more difficult.

No one has suggested the budget can be balanced solely by cutting spending on federal departments and agencies. This "discretionary" spending, which is subject to annual bargaining between Congress and the White House, is only one part of the total federal budget, albeit a major one. But it has been one of the few areas where Democrats and Republicans have been able to make progress in curbing the relentless growth of federal spending.

"A lot of give and take was involved," said the Senate majority leader, Trent Lott. "It's more than we would like to have done, but the White House insisted on adding more money."

### An Appropriations 'Whoops'

WASHINGTON — What Congress giveth, does Congress taketh away? Or, more precisely, what harried lawmakers eager to get out of town authorizeth with one hand, do they sometimes failth to appropriate with the other?

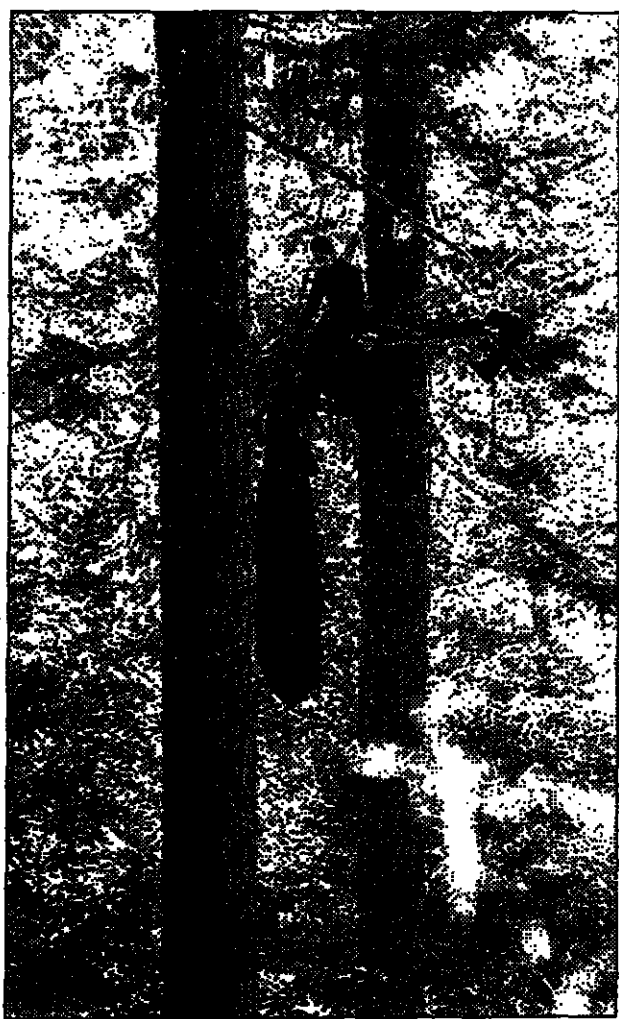
Such is a conundrum bequeathed by the 104th Congress, which sent major immigration legislation to President Clinton on Monday as part of an omnibus spending bill. The package, which Mr. Clinton signed, has left the Immigration and Naturalization Service wondering what Congress really has in mind when it comes to cracking down on employers who hire illegal aliens.

The law authorizes the immigration service to hire 300 additional investigators a year in fiscal 1997, 1998 and 1999, at least half of whom are to be assigned to what the agency calls "worksite enforcement."

The trouble is, the spending bill did not earmark any money to pay for these new investigators. (WP)

### Quote/Unquote

Bob Dole, at a practice session to test themes for the debate with Mr. Clinton: "I just want to say if you're listening to these debates, ask yourself this question: Would you buy a used election promise from this man?" (NYT)



LAST STAND — An activist with the Earth First environmental movement camping in a redwood to protest logging in the Headwaters Forest in California.

### Away From Politics

Mark Fuhrman pleaded no contest Wednesday to perjury charges for having denied under oath at the O.J. Simpson trial that he had used the word "nigger" in the past decade. The former Los Angeles police detective was given three years' probation and fined \$200. Mr. Simpson was acquitted last year of the murder of his former wife and a friend of hers. (AP)

New York City Police Department crime statistics suggest that the city's falling crime rate shows no sign of bottoming out and that the decline in most major crimes has accelerated. The statistics also suggest that the murder total this year will drop below levels not seen since 1968. The report shows that serious crime has tumbled by more than 12 percent in all five boroughs when compared with 1995. (NYT)

Resolving a complaint that girls lose out to boys unfairly in the awarding of the National Merit Scholarships, the College Board has agreed to modify its Preliminary Scholastic Assessment Test, the main determinant in awarding the scholarships. In the agreement, reached with the Department of Education's Office of Civil Rights, the College Board said that beginning in 1997 it would add a multiple-choice test on writing to the PSAT exam, which is taken by juniors. Donald M. Stewart, president of the College Board, said the board expects that the addition of the non-essay writing test is likely to give girls higher scores since girls on this type of test "tend to do better than boys." (NYT)

Robert Kim, a navy computer specialist accused of passing dozens of secret documents to South Korea, must remain in jail until his trial on espionage charges, a federal judge ruled in Alexandria, Virginia. (Reuters)

An Orthodox Jew filed a complaint against a judge in Houston who ordered him to remove his skullcap before he testified in a civil trial, saying he might appear to have religious authority in jurors' minds. The judge said that "if I didn't take it off, I wouldn't be allowed to testify," said Gil Fried, a lawyer and coordinator for the University of Houston sports and fitness program. District Judge Pat Lykos cited an appellate court ruling about a man who was practicing law while wearing garments that marked him as a Catholic priest. A skullcap is mandatory for Orthodox Jewish men. (AP)

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## ASIA/PACIFIC

# Burmese Laureate Claims Moral Victory

## Junta Foe Disdainful of Crackdown

By Seth Mydans  
New York Times Service

RANGOON — As a small crowd of plainclothes security men waited in the rain outside, Daw Aung San Suu Kyi on Wednesday called the military crackdown over the last few days a victory for her pro-democracy movement.

"We rather feel that every time SLORC takes action against us it helps us greatly," she said, referring to the State Law and Order Restoration Council, the ruling junta that over the past few days has arrested hundreds of her supporters and barricaded her house.

"People are fed up with this kind of stupid behavior," she said. "And the international community has now realized that we were correct when we said SLORC was getting worse, not better."

It was the first public statement by the pro-democracy leader since the authorities clamped down last Friday to prevent a conference of her National League for Democracy, sealing her off from the outside world. She was awarded the Nobel Peace Prize in 1991.

Unable to receive visitors at her home, which has remained surrounded by soldiers and riot policemen, Daw Aung San Suu Kyi evaded security men to meet with reporters for an hour Wednesday afternoon at the home of one of her aides.

"I've had a good rest," she said, smiling, as she sat barefoot in a low chair, wearing a bright blue shirt and with purple orchids in her hair. "I've gotten a lot of exercise, walking round and round the garden in the evenings. It is the first time in more than a year that I have had time to stand and stare."

Since the weekend, the government has maintained a barrage of criticism of her, saying its crackdown was necessary to prevent her from fomenting disorder and even riots.

But privately, one high-ranking official agreed with her analysis, saying Daw Aung San Suu Kyi would have won either way — by holding her party meeting and issuing political position papers, or by appearing the victim of government repression.

Though she said she leaves her house once or twice a day, to drive home the two senior aides who are allowed to visit her, Daw Aung San Suu Kyi's telephone has been cut and the government has attempted to bar the press and foreign diplomats, as well as her supporters, from making contact with her.

Daw Aung San Suu Kyi herself seemed relaxed, and even energized, by the confrontation with the government — confident, joking and mocking the authorities as she does with the crowds that have gathered outside her house every weekend, until this one, to hear her speeches.

Though the government appears to have the upper hand, Daw Aung San Suu Kyi asserted that its strong actions betrayed a continuing fear of the extent of her support.

"The level of their response is always a reflection of the level of their fears, their nervousness," she said.

### An ASEAN Warning Flag

President Fidel Ramos of the Philippines said Wednesday that the Association of South East Asian Nations might review its policy of "constructive engagement" toward Burma after its renewed crackdown on democracy activists. Reuters reported from Manila.

Mr. Ramos said at his weekly news conference that the consensus among ASEAN foreign ministers was that the seven-nation group eventually would admit Burma as a member, provided it had made progress on trade and political reforms.

But ASEAN might review its policy, he said.



Daw Aung San Suu Kyi, left, speaking Wednesday with journalists after evading security police.

## Taleban Slaps Restrictions on Press

KABUL — The Afghan capital's Taleban rulers on Wednesday banned the photographing of people in the city and unveiled a range of restrictions on the press corps here.

The Islamic warriors' latest decree came after earlier this week men were given six weeks to grow beards or face severe punishment and after mullahs and district chiefs were ordered Wednesday to turn over to the Taleban authorities people who skip their five-times-daily prayers.

"According to our religion, it is forbidden to take pictures of any human beings," said the acting minister for education and culture, Amir Khan Mutaqi.

"But the press can take pictures of ruined buildings and parts of the city, although you cannot photograph any military installations or key ministerial buildings," he said.

Mr. Mutaqi said the restrictions, announced six days after the victorious militia seized Kabul, applied to all members of the press working in the Afghan capital and covered both moving and still pictures.

The Taleban leadership has already slapped a strict ban on the taking of pictures of people in the part of the country it has controlled since October.

The Taleban fighters, who have adopted a particularly strict interpretation of Islamic law, say pictures of human beings constitute images that could be used for idol worshiping.

In addition, journalists are banned from reporting "sensitive" incidents that could be "blown out of proportion" and used to discredit the Taleban government, Mr. Mutaqi said.

"If a leader has a disagreement with another Taleban and even if he

loses his temper, it does not mean there are differences within the Taleban, it's just a little problem," he said.

Meanwhile, the Taleban militia and the forces of the former government's military chief, Ahmed Shah Masoud, were ready for battle on Wednesday, with the militia poised at the door of Mr. Masoud's valley stronghold.

However, the militia appeared to be backing away from a standoff with the powerful warlord General Abdul Rashid Dostum, apparently moving to head off a potential alliance between the northern leader and Mr. Masoud.

Mr. Masoud declared a state of emergency in the Panjshir Valley and ordered an evacuation in anticipation of an attack. The Taleban has bottled up the valley after sweeping north from Kabul over the past few days. (AFP, Reuters)

## BRIEFLY ASIA

### Kashmir Winner Offers Talks

SRINAGAR, India — The largest pro-India party in Kashmir won a sweeping majority in the first local elections in the state since a separatist revolt began in 1990 and quickly offered an olive branch to rebels.

The moderate National Conference, led by Farooq Abdullah, won 54 seats in the Jammu and Kashmir state's 87-member assembly, results showed Wednesday. Mr. Abdullah was chief minister when the revolt broke out. The results did not include six constituencies that voted over the weekend. Counting there was to start Thursday.

Mr. Abdullah offered to meet with leaders of the All-Parties Freedom Conference, an umbrella organization of 30 separatist groups. "I think we will continue to fight the renegades, the Pakistani infiltrators," he said. But he added of the rebels, "I hope they will come round and we will talk to each other." (Reuters)

### 200 Fall Ill at School in Japan

TOKYO — More than 200 students and teachers at an elementary school in northern Japan have come down with the food poisoning that killed 11 people when it swept the nation this summer, health officials said Wednesday.

The students and teachers at Midorigaoka Elementary School in the city of Morioka have been infected with the O-157 strain of E. coli bacteria, the officials said. Local health officials are investigating school lunches as a probable cause of the outbreak. (Reuters)

### Cruise Offered to Disputed Isles

TAIPEI — A Taiwan travel agency hopes to cash in on a territorial dispute involving Taipei, Tokyo and Beijing by offering a cruise to disputed isles in the East China Sea.

The United Evening News said Wednesday that a company in Kaohsiung would rent a 7,000-ton cruise ship to carry about 2,000 voyagers to the islands, known in China and Taiwan as the Diaoyu and in Japan as the Senkaku.

The initial cruise has been timed to coincide with the Oct. 10 national day in Taiwan. It will offer two days of dining, movies and a karaoke lounge for 1,500 to 2,000 Taiwan dollars (\$55 to \$73) per person, the newspaper said. There will be no landing on the islands. (Reuters)

### VOICES From Asia

Ali Alatas, the Indonesian foreign minister, after the Clinton administration postponed the sale of at least nine F-16 fighter jets to Indonesia until January because of congressional objections to Jakarta's recent crackdown on political dissent: "U.S. officials offered some very good terms so we started to say, 'O.K., what's the price?'"

So when suddenly one or two senators made a big issue out of it and linked it to the latest developments in Indonesia — which are highly exaggerated — our natural reaction was: 'No problem, you don't want to sell them, we never asked for them in the first place.'" (Reuters)

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EUROPE

# Armenian, In Hiding, Urges New Balloting

YEREVAN, Armenia — The leader of Armenia's nationalist opposition called Wednesday for a fresh round of presidential elections after international observers said the vote conducted earlier this month had been riddled with irregularities.

At a clandestine press conference, Vazgen Manukian, the nationalist leader who was defeated in the controversial Sept. 22 election, according to official figures, called for new elections or at least a second round.

"The illegitimacy of power could have very serious consequences for Armenia," he said. "We must insist that the results are checked." If that is not possible, he said, "it is necessary to organize new presidential elections."

Mr. Manukian's call came after the Organization for Security and Cooperation in Europe said in Warsaw that it had detected serious irregularities in vote counting that called into question President Levon Ter-Petrosyan's victory.

Mr. Ter-Petrosyan was officially given 51.75 percent of the votes in the election, while Mr. Manukian's received 41.29 percent, but some electoral commission officials questioned the results, touching off violent protests last week by opposition supporters alleging electoral fraud on the part of the president.

The incumbent moved swiftly to crack down on the protests, ordering tanks and troops onto the streets of Yerevan, arresting eight senior opposition members and closing down the headquarters of Mr. Manukian's party. Mr. Manukian went into hiding.

He said Wednesday that the Armenian opposition had almost 80 percent of the electoral registers, and that they showed Mr. Ter-Petrosyan winning "less than 35 percent" of the vote.

"Even taking into account the remaining 20 percent, at least a second round should be held," Mr. Manukian said.

According to the official results, Mr. Ter-Petrosyan won about 22,000 votes more required for outright victory in the first round vote.

But in Warsaw, the Organization for Security and Cooperation in Europe said there was a disparity of 22,013 between the number of registered voters and the number of ballots cast as reported by the electoral commission.

The main discrepancies were noted in the capital, Yerevan, where monitors for the organization detected 21,701 more ballots cast than registered voters.

"Errors in the verification process can only contribute to a lack of confidence in the entire electoral process and call into question the results," the report said.



Police investigators examining the assassination site Wednesday of Andrei Lukanov, a former Communist leader.

## Gunman Kills Ex-Bulgarian Prime Minister

SOFIA — The former Bulgarian prime minister, Andrei Lukanov, was shot and killed outside his home in Sofia on Wednesday, the police said.

Mr. Lukanov, an influential member of the Socialist Party — the renamed Communists — was leaving home on his way to Parliament when he was shot once in the heart and once in the head, a police report said.

There were no further details about the murder, the first political killing in Bulgaria in more than 50 years.

Mr. Lukanov, 58, helped overthrow the long-time Communist leader, Todor Zhivkov, and he headed two Socialist gov-

ernments until strikes forced him to step down in November 1990.

Reputedly a wealthy businessman, he remained an influential member of Parliament for the Socialist Party, which as the Communist Party he had joined as a young economist and diplomat.

Mr. Lukanov's death was announced in Parliament by the speaker, Blagovest Sendov, who provided no other details before closing the session after a minute of silence in Mr. Lukanov's honor.

Hours later, Parliament unanimously adopted a declaration that terrorism would not be allowed to destabilize Bulgaria. The impoverished Balkan country has become in-

creasingly mired in economic and political chaos in recent months, with crime rising, the currency plunging and debt repayments exceeding the 1996 gross domestic product.

The declaration emphasized that presidential elections would proceed on Oct. 27.

Konstantin Trenchev, the head of the anti-Communist union federation Podkrepa, said recently that he believed the Socialist Party might go so far as to provoke bloody incidents around mid-October to disrupt the elections.

President Zhelyu Zhelev "severely condemned" the murder, and the Russian ambassador in Sofia visited the victim's home to express his condolences to Mr. Lukanov's family. (AFP, AP)

## Blair Weathers Party Storm Over Pensions

BLACKPOOL, England — The Labor Party, riding a crest of enthusiasm after Tony Blair's keynote speech, on Wednesday wrestled with policy on the question of government pension indexing.

Mr. Blair, heavily favored to win elections that must be held within seven months, on Tuesday pledged to a Labor conference here a new relationship with Europe and broad domestic reform in education, crime, taxes and health care.

His tenor at this critical conference has been to move Labor toward the electoral center and shake off its persistent image as the political wing of the trade unions.

But the complex issue of indexing state pensions had center stage on Wednesday with a heated debate developing between party leaders favoring indexing to inflation, and a left-wing challenge for indexing to average earnings.

The latter, carrying an estimated price tag of £3.5 billion (\$5.4 bil-

lion), had threatened to destabilize the conference because it had support from trade unions that Mr. Blair has angered in recent weeks.

But two of the largest unions, the TGWU general union and the Unison civil service union, threw their support to Labor late Tuesday, easing the threat of an embarrassing defeat for Mr. Blair, after a compromise promise delaying any pensions decision.

Smaller unions were already with the party on pensions.

Leaders and delegates of the two big unions agreed to back Mr. Blair's commitment that a Labor government, after election, would

create a commission to "urgently" review the future of state pensions.

They agreed to withdraw their support from the motion by Barbara Castle, 85-year-old doyenne of the party's left wing, for indexing pensions to average earnings.

Despite Labor reforms reducing the unions' influence on the party they created a century ago, they still have 50 percent of the conference vote, while constituency delegates hold the other half.

In his speech on Tuesday, Mr. Blair declared that his Labor government, like Labor governments of years past, would "do what is

right" for retired people. But he warned that Labor would make no money promises until it was sure about keeping them, which would be only after it had taken power.

The compromise on pensions drew sighs of relief among Labor officials, since a defeat would have been singled out by the Tories and the press as a sign of disunity and fraying party discipline.

Mr. Blair, seeking to end 18 years of Conservative rule, on Tuesday attacked the Tories as "feckless, irresponsible and incompetent," and pledged that Labor would be the party of "sound finance and good house-keeping."

### 6 Killed in Tanker Fire Off Italy

ROME — Six people were killed and three were injured Wednesday in a fire on a new methane-gas tanker that was undergoing sea trials off Genoa, rescue services said. The fire broke out in the engine room of the SNAM Portovenere. The ship was being towed to Genoa, and the cause of the blaze was not known.

### BRIEFLY EUROPE

#### Legionnaires' Disease Strikes Town Near Madrid, Killing 8

MADRID — Officials scrambled Wednesday to contain an outbreak of a disease that has killed 8 persons and hospitalized 150 in a town 25 kilometers northeast of Madrid since late August.

Preliminary tests indicate the outbreak in Alcala de Henares is pneumonia caused by Legionnaires' disease, according to the Prince of Asturias University Hospital, where the victims have been taken.

Health officials, suspecting that the bacteria that cause the disease entered the town's water supply, increased chlorination and urged residents to rub vinegar onto their shower nozzles and faucets.

The outbreak of pneumonia began in late August but authorities did not close in on Legionnaires' disease as the likely cause until recent days. (AP)

#### Pope Out in Rain for Audience

VATICAN CITY — Pope John Paul II braved rain and a brisk wind Wednesday to make one of his last public appearances before he enters the hospital for an appendectomy next week.

The wind blew his red cloak off a shoulder as he held his weekly general audience in St. Peter's Square for some 20,000 pilgrims and tourists. A canopy kept him dry.

The Vatican has announced that the Pope, 76, will be hospitalized next week in Rome for surgery on his inflamed appendix. All audiences have been suspended, starting Monday, although the exact date of the operation has not been announced. (AP)

#### Yeltsin in Charge, Aide Insists

MOSCOW — Boris Yeltsin's chief of staff, Anatoli Chubais, sent a strong message Wednesday to maneuvering rivals that the president was still in command from his hospital room.

Pledging openness and accountability by the Kremlin administration, Mr. Chubais said at a news conference that Mr. Yeltsin's orders would be obeyed.

"Officials should not discuss orders but carry them out," said Mr. Chubais, who helped engineer Mr. Yeltsin's election victory in May.

He dismissed speculation, which he said was largely the creation of Western media, that Russia has been rudderless since Mr. Yeltsin retreated from view shortly before his re-election.

The president is preparing for heart surgery in a month or two. (Reuters)

#### Political Defection in Vienna

VIENNA — An opposition liberal party, struggling to limit damage from a political scandal ahead of Vienna's municipal elections on Oct. 13, suffered another blow Wednesday when a prominent parliamentary deputy defected to a rightist party.

Reinhard Firlinger, who had been with the Liberal Forum since its founding in 1993, switched to the Freedom Party of Joerg Haider.

On Monday, the Liberals' top candidate in Vienna, Wolfgang Bachmayer, resigned over remarks that were widely perceived as racist. (AP)

### AIRPORT AUTHORITY

#### EXPRESSIONS OF INTEREST

##### Northern Runway

and

##### North-West Concourse Works

The Airport Authority has the responsibility for constructing and operating Hong Kong's new airport at Chek Lap Kok.

The Authority wishes to proceed with the construction of the second (northern) runway and the north-west concourse works under separate contracts. It is envisaged that the works will be completed in the last quarter of 1998.

#### Contract 402 - Northern Runway Works

The northern runway works include airfield pavements, drainage, water mains, grassing, irrigation pipework, marine structures and miscellaneous buildings. The works will also include the airfield ground lighting, electrical distribution and emergency power systems.

#### Contract 304 - North-West Concourse and Apron Works

The North-West Concourse is an extension to the Passenger Terminal Building. The Passenger Terminal Building is scheduled to be completed in time for airport opening in April 1998. The North-West Concourse and Apron Works include the building structure the fit-out works and the apron works. The apron works will include the pavements, high mast lighting, ground lighting and the electrical distribution system. The lifts, escalators, walkways, loading bridges, preconditioned air, fixed ground power, building services and communications and security systems will not form part of this contract.

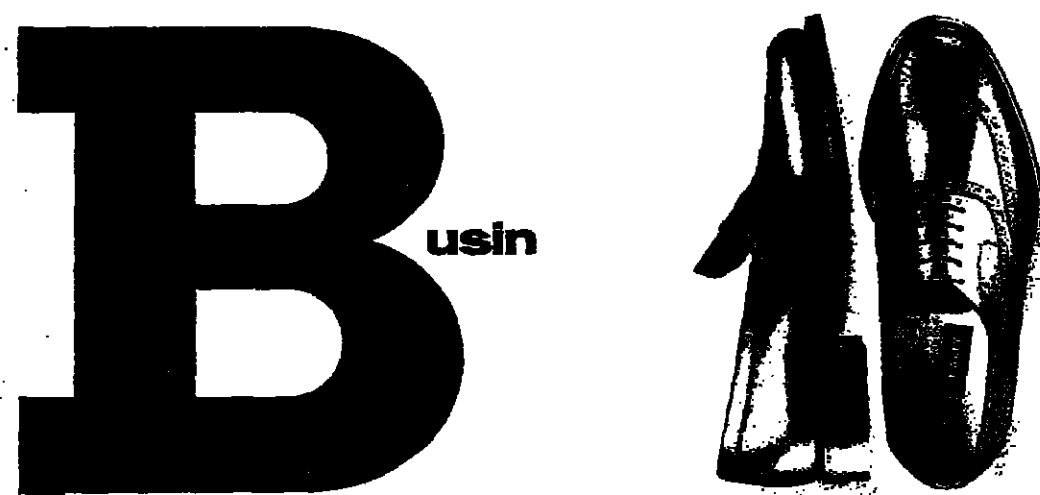
The Authority invites separate expressions of interest from companies and/or joint ventures interested in constructing the works under each of the above contracts.

Expressions of interest from interested parties should be submitted to the Authority marked:

Contract [number]  
[contract name]  
Expressions of Interest  
The Project Director  
Airport Authority  
25th Floor, Central Plaza  
18 Harbour Road, Wan Chai  
Hong Kong  
Attn: Ms. Stella Fok  
Fax No: (852) 2802-8231  
Tel No: (852) 2769-1160

Upon receipt of expressions of interest the Authority will issue prequalification documents which will be required to be returned by Wednesday, 16 October, 1996.

All costs associated with any submission in response to this notice shall be entirely the responsibility of the organisation(s) concerned. The Authority reserves the right to reject any application at its discretion and without explanation.





## INTERNATIONAL

## Yugoslavia Welcomes End of UN Sanctions

*But a Tough Economic Road Lies Ahead*

**BELGRADE** — Yugoslavia on Wednesday welcomed the UN's decision to end sanctions, but economists there warned that its revival hinged on an end to an "outer wall" of sanctions that remains in place.

The Security Council voted, 15 to 0, late Tuesday to formally end the embargoes on trade, travel and transportation against the Yugoslav republics of Serbia and Montenegro.

The restrictions had been suspended since November after President Slobodan Milosevic of Serbia helped with the pact that brought peace to Bosnia-Herzegovina.

But the United States opposes re-admitting Yugoslavia to the General Assembly and other international institutions such as the World Bank until further demands are met.

Those requirements include cooperation with the UN war crimes tribunal, reducing tensions with ethnic Albanians in Serbia's Kosovo Province and settling claims and other issues with the former Yugoslav republics.

The UN resolution removing sanctions did not release Belgrade's assets that are frozen abroad. The former Yugoslav republics of Bosnia, Croatia, Macedonia and Slovenia have claims against portions of those assets.

Russia, however, is eager to remove the restrictions, setting the stage for diplomatic conflicts with Washington.

Economists in Belgrade said that the end to sanctions was a psychological boost, but that little would change until the "wall" to international financial institutions was scaled.

An analyst at the Institute of Economic Sciences in Belgrade, Stojan Stamenkovic, said nothing would change until Yugoslavia won foreign credits and investment. He estimated that \$2 billion a year was needed to ensure Yugoslavia's economic development.

"The structure of the economy is stuck on the level of five years ago, and it hasn't adapted to world trends," he said. "To increase production and restructure, we need investments, and that must come from abroad."

"The main issue is membership in the International Monetary Fund, then the fund's support for our economic policy," he continued. "That would be a green light for capital inflow."

Zivojin Jevtic, an adviser to the independent Foreign Trade Institute, agreed: "The UN's decision will certainly ease things, but will not open doors automatically." He said the West might still try to block access to the United Nations and financial institutions to keep Belgrade from renegeing on its promises.

### ■ New Force of GIs for Bosnia

The Pentagon says about 5,000 American troops will begin moving into Bosnia within days to help cover the withdrawal of 52,000 international peacekeepers this year, Reuters reported from Washington. The force will stay until March.

The announcement is certain to cause an uproar in Congress because March would be more than two months after the mission of the NATO-led force, which includes 15,800 U.S. soldiers, ends on Dec. 20.



**NEAR JOURNEY'S END** — Two Bosnians sitting in front of the Sarajevo rail station Wednesday after returning from four years of exile in the Czech Republic. Germany, meanwhile, told Bosnian refugees to go home.

## Toxic Gas Toll In Gulf War Now at 15,000, Pentagon Says

By Dana Priest  
Washington Post Service

**WASHINGTON** — For four years, the Pentagon insisted that U.S. soldiers in the Gulf War had not been exposed to chemical or biological weapons. In June, the Defense Department acknowledged that up to 400 engineers might have come in contact with poison gas. By last week the estimate of soldiers who might have been affected had risen to 5,000.

Then, on Tuesday, a Pentagon spokesman, Kenneth Bacon, announced that "a very large number" of soldiers, far more than 15,000, could have been exposed to the explosion of chemical weapons in 1991 during the Gulf War.

And, after weeks of bipartisan criticism by Congress and a barrage of unfavorable news reports, Mr. Bacon also announced that the Defense Department would bring in the National Academy of Sciences and its Institute of Medicine to scrutinize the investigation.

More than 50,000 men and women who served in the Gulf region have received medical examinations from military or Veterans Affairs physicians for chronic health problems that the veterans believe resulted from their service there.

The symptoms — typically chronic fatigue, headaches, skin rash and memory loss — have been dubbed Gulf War Syndrome.

In June, the Pentagon announced that chemical weapons — nerve and mustard gas — were present when a site known as "Bunker 73" was destroyed by military munitions experts on March 4, 1991.

Later officials said chemical weapons were also contained in rockets that were found in a pit a few miles away and blown up by U.S. troops on March 10, 1991.

United Nations inspections teams have said the pit contained several hundred rockets that carry poison gases.

In announcing that the earlier estimate of 5,000 affected soldiers would grow "considerably," Mr. Bacon said he could not be more precise.

Pressed, he said: "I just don't think we know at this stage, but we have to think in terms of big numbers, bigger than 15,000 certainly."

The higher estimate will be based on a CIA computer model.

## All U.S. Troops Facing Anthrax Shots

By Bradley Graham  
Washington Post Service

**WASHINGTON** — Reversing earlier opposition, U.S. military chiefs have endorsed a plan to vaccinate all their forces against anthrax in what would be the Pentagon's first regular inoculation program against a germ-warfare agent, Defense Department officials said.

The about-face by senior commanders removes the principal obstacle to the plan and reflects heightened Pentagon concern about the prospect of biological attack. Iraq, Russia and as many as 10 other countries are said by U.S. officials to have at least the capability to load

spores of anthrax into weapons, although no country is known to have released the bacteria on a battlefield.

Military leaders initially were dubious about the need for the anthrax vaccine, instead favoring work on a multipurpose vaccine that could counter a number of biological-warfare agents.

In addition, some commanders thought that the United States could deter an enemy from launching an anthrax attack by threatening massive retaliation — possibly with nuclear weapons.

Some military leaders also needed to be reassured that the vaccine has no debilitating side effects. And some

wondered whether the estimated \$120 million it would cost to immunize 1.5 million military personnel could be better spent elsewhere.

Pentagon officials were reluctant to discuss the vaccination initiative before final approval. Some officials fretted that word that the United States was about to embark on a program to defend against anthrax might be misread as a sign that Washington had a secret offensive capability or intended to develop one.

Anthrax is an infectious disease that normally afflicts animals, especially cattle and sheep. The agent can be produced in a dry form that can be stored and then ground into tiny particles for humans to inhale. As little as one hundredth of a millionth of a gram is enough to kill.

Because of limited vaccine supplies, only about 150,000 of the more than 500,000 U.S. soldiers sent to evict Iraqi forces from Kuwait in the Gulf War in 1991 were inoculated against anthrax.

The vaccine is widely used in the world by veterinarians, leather workers, laboratory technicians and others who have frequent contact with animals or animal products.

## France Backs Ban on Anti-Personnel Mines

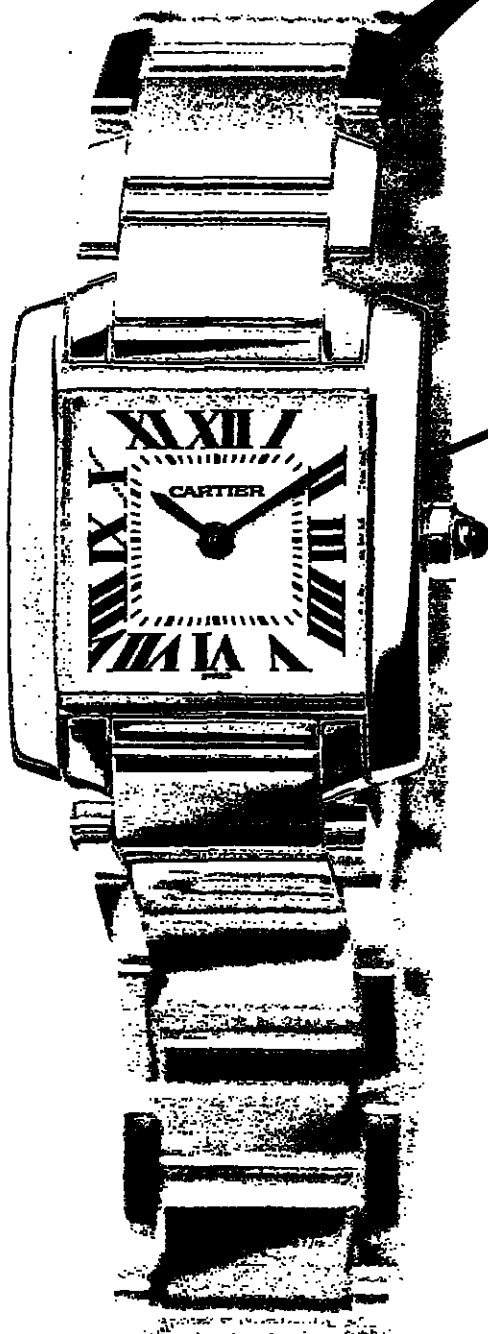
Agence France-Press

**PARIS** — France said Wednesday it would support, at a meeting in Canada this week, a global ban on anti-personnel mines.

Alain Lamassoure, the government spokesman, speaking ahead of the meeting in Ottawa on Thursday, said France had already begun reducing its stock of

such mines, which it used only in strictly military situations. "France will support the conclusion of an international accord to be legally binding and technically verifiable, on the total and general ban of anti-personnel mines," he said.

The Ottawa meeting is aimed at working toward a global ban, which now has the backing of 34 countries.



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INTERNATIONAL

# What China Doesn't Want With Japan Is War (Because It Might Lose)

By Michael Richardson  
International Herald Tribune

SINGAPORE — Although China is under nationalist pressure to take a tougher line with Japan in their dispute over ownership of a chain of barren islets in the East China Sea, other forces at play suggest that Beijing wants to do everything it can to avoid military conflict with Tokyo.

Analysts say that a combination of factors — including the likelihood that the Chinese Navy would suffer a humiliating defeat at the hands of Japan in any local conflict over the islands — has prompted Beijing to curb the nationalism it used in recent months to rally popular support over Taiwan and other issues.

"China's navy is no match for Japan's at present and the Chinese military and civilian leadership know that," said a Western defense attaché based in Asia.

Japan's navy, known officially as the Maritime Self-Defense Force, is organized into four powerful ocean-going fleets, each with eight

main warships. They are backed by 16 submarines and 100 maritime patrol planes armed with anti-ship missiles and well-equipped for anti-submarine warfare.

Although China's naval force is numerically superior, with 52 submarines and at least 50 major warships, analysts said that, compared with Japan's, most Chinese vessels were obsolete.

David Shambaugh, a specialist on China and the Chinese military at the School of Oriental

## NEWS ANALYSIS

and African Studies at the University of London, said that only three of China's destroyers and four of its frigates "approach modern standards."

It would take China "considerable time and expenditure to build a blue-water navy of any significance," he added.

Despite periodic reminders of past Japanese aggression, China has emerged in the last few years as the major potential threat to regional stability in the eyes of many Asian countries. They

fear that China will use its growing economic might to build military power to take back territory, particularly in the seas of East Asia, which Beijing contends were wrongfully seized by imperial powers when it was weak.

In comments that were clearly intended to warn China about regional concerns, Lee Kuan Yew, Singapore's senior minister, said at an international conference in Beijing last month that many countries "anticipate with unease a build-up of China's military capabilities" over the next 20 years.

He added that small and medium-sized Asian countries were worried China might want to "resume the imperial status it had in earlier centuries" and treat them "as vassal states."

Japan, meanwhile, is using its defense-industrial base, which is far more sophisticated than China's, to expand and modernize its navy further.

"Japan is presently building a new generation of destroyers and submarines," said Carlyle Thayer, an Asian specialist at the Australian

Defense Force Academy in Canberra. "It is also acquiring amphibious landing ships with flight decks able to support helicopters and vertical take-off-and-landing fighters, and tanker aircraft to extend the range of maritime coverage" by land-based planes.

Even the two or three Kilo-class submarines delivered to China by Russia in the last 18 months will not do much to upgrade the striking power of the Chinese Navy, according to Western officials.

Shortly after the first of the Kilo submarines reached China last year, a Pentagon official said that the Chinese submarine force was "basically 1950s technology." He added that even the Kilo class dated back to 1979.

Making a virtue out of necessity by acting with restraint, China may also be trying to cast Japan in an assertive and aggressive light with the rest of Asia.

Tokyo has indicated that it will use force, if necessary, to defend the islands and the rights to any oil or natural gas in a large area of sur-

rounding seabed that they control. The Liberal Democratic Party, the largest party in Japan's coalition government, said in a manifesto issued Monday for next month's general election that the islands, known as the Senkakus in Japanese and the Diaoyus in Chinese, had "long been regarded as part of our territory."

The manifesto made a similar claim to other islets in the Sea of Japan that are disputed with South Korea. Tuesday, the Seoul government accused the party of acting irresponsibly by issuing the paper.

The manifesto also endorsed official visits by cabinet ministers to the Yasukuni shrine, which honors Japanese who have died in wars since the 19th century, including war criminals.

In late July, Ryutaro Hashimoto, the leader of the Liberal Democrats, became the first Japanese prime minister since 1985 to visit the shrine — an act that touched off protests from China, Korea and other Asian countries that suffered under Japan's brutal military occupation before and during World War II.

## COLONY: Patten Won't Go Quietly

Continued from Page 1

that although the words were tough, the governor still refused to say specifically whether Britain would consider China's setting up of a new legislature as a violation of the 1984 treaty governing the colony's handover.

Declaring such a move a treaty violation would allow Britain to take China to the International Court of Justice if Beijing proceeded with its plans.

"It's not sufficient or convincing to defend democracy and the rule of law through words alone," Martin Lee, the Democratic Party leader, said in a statement. "It must be by deeds as well."

He said the governor's attack on China's plans amounted to "meaningless rhetoric only." Mr. Patten did say he was ready to work with the territory's incoming "chief executive," whom China plans to name in November after vetting various candidates through a local selection committee of 400 hand-picked Hong Kong citizens.

Five candidates want the post: two former judges, Arthur Garcia and Sir Ti Liang Yang; an Oxford-educated lawyer, Lo Tak-shing; a shipping magnate, Tung Chee-hwa, who is said to be the favorite among some of the Beijing hierarchy; and Peter Woo, a young tycoon who entered the fray this week when he released a detailed policy statement.

British officials are known to privately favor Hong Kong's popular and senior-most civil servant, Chief Secretary Anson Chan. They feel he would guarantee continuity and confidence among government workers nervous

about the future. But Mr. Patten said in his speech: "We have no candidate. The selection is not for us."

He added: "Whoever is the winner, our open-handed support will be the same."

Mr. Patten also warned China that by carrying out its threat to abolish the existing, democratically-elected legislature, Beijing will inevitably raise troubling questions about its future intentions in other spheres.

"If you act in a way that raises suspicions of bad faith in one area, you shouldn't be surprised if questions are asked and skepticism is stimulated about your intentions in others," he said. "The role of this institution, its credibility and legitimacy, lies at the heart of wider doubts about the future of pluralism and freedom in Hong Kong."

Beijing has said the legislature, elected in September 1995, will be abolished because Mr. Patten carried through with a limited democratic reform plan without Beijing's consent.

Mr. Patten suggested Wednesday that the real reason for China's opposition was more basic — its leaders did not like the election result, which saw pro-democracy candidates win the largest bloc of seats.

The governor also laid down what he called 16 "benchmarks" that the world should apply in the future when judging whether China has lived up to its promises to preserve Hong Kong's freedoms and way of life.

He said the benchmarks would include whether civil service jobs and promotions are still decided on merit; whether the local Hong Kong govern-



Chris Patten after his speech Wednesday to Hong Kong's legislature.

ment is drafting its own budget or responding to pressure from China; whether the local anti-corruption commission continues to act vigorously, even where Chinese government interests are involved; whether journalists are allowed to operate freely, and whether anyone in Hong Kong is "being persecuted or harassed for the peaceful expression of political, social or religious views."

## Tax Cuts Enter Campaign in Japan

By Nicholas D. Kristof  
New York Times Service

TOKYO — Borrowing a leaf from Bob Dole's briefing book, a Japanese opposition leader tried to stimulate his sagging campaign on Wednesday by calling for a massive tax cut.

The opposition leader, Ichiro Ozawa, is desperately trying to win support in general elections to be held on Oct. 20.

Mr. Ozawa, who has had a reputation as a wizard at election strategy, called for a 50 percent cut in both the national income tax and the local tax, abolition of a property tax, and a more modest cut in the corporate income tax.

He also said that the national sales tax should be left where it is at 3 percent, instead of raised as scheduled in April to 5 percent.

"Japan's economy is now in a state of stagnation, of recession, and if we leave things as they are it will only get worse," Mr. Ozawa said at a press conference Wednesday evening. "Therefore, we must change the structure of the economy, and to do that we must enliven the economy as a whole."

Promises of tax cuts, like that of Mr. Dole, the Republican presidential candidate, are old hat in American electoral politics, but Mr. Ozawa's approach is unusual in Japan. Japanese grumble about high taxes, but Mr. Ozawa has a reputation among many voters for slipperiness, so it is not clear how voters will view his latest promises.

The written platform that Mr. Ozawa released Wednesday gave few details of

how the tax-cut plan would work or how it would be financed. The platform was called "five covenants with the people," and it appeared to be modeled in part on the American Republicans' "Contract With America."

Mr. Ozawa is an admirer of many aspects of America and has long shown an interest in American politics. Likewise, he has often seemed to have more support in America than in Japan, for while many Americans hail him as a reformer, he is regarded by many Japanese as an untrustworthy titan of machine politics.

The government of Prime Minister Ryutaro Hashimoto, which is widely expected to win re-election, is taking the opposite approach to Mr. Ozawa's. It is promising a tax increase. Mr. Hashimoto insists that the increase in the sales tax is necessary and will go ahead as planned.

The sales tax increase is unpopular with voters, and it was expected to be the major issue in the campaign — which formally begins Tuesday and lasts only 12 days. But Mr. Ozawa's proposal for mammoth tax cuts may trigger a broader debate about tax policy.

Mr. Ozawa sounded a bit like an advocate of supply-side economics at the press conference Wednesday evening, saying that lower taxes would stimulate economic growth and in turn increase tax revenue. As a result, he said, Japan's budget deficit would not increase drastically.

"By enlivening the economy, we will increase tax revenues and partially pay

for the cost of the cuts," Mr. Ozawa said. "And with administrative reform, we will reduce expenses."

Even Mr. Ozawa acknowledged that in the long run Japan needs to address its budget deficit, which in percentage terms is far greater than America's. As a result, he said that it would eventually be necessary to consider an increase in the sales tax.

Prime Minister Hashimoto and other members of the governing coalition had no immediate comment on Mr. Ozawa's tax-cut proposal. But the Nihon Keizai newspaper, which often reflects the views of the business community, suggested in a commentary Wednesday evening that the plan was unrealistic.

"How is the party intending to reconstruct the already deficit-ridden public finances?" the newspaper asked. "The answer is uncertain."

The platform of Mr. Ozawa's New Frontier Party also called for reducing civil service personnel by 25 percent and reducing the number of upper-level bureaucrats by half. Utility charges would be reduced by 20 percent to 50 percent, the platform said.

Polls indicate that the New Frontier Party is in serious trouble, although many voters remain undecided. One recent poll by an affiliate of the Kyodo news agency found 39 percent support for Prime Minister Hashimoto's Liberal Democrats and only 13 percent support for the New Frontier Party.

A surprisingly high 12 percent said they would support a new party, the Democrats.

## Robert Bourassa, 63, Dies; Former Leader of Quebec

By Anthony DePalma  
New York Times Service

TORONTO — Robert Bourassa, 63, the former premier of Quebec who led Canada's most turbulent province through some of its deepest crises and greatest triumphs and who brought in sweeping measures to preserve the province's French culture while steadfastly supporting unity with Canada, died Wednesday at Notre-Dame Hospital in Montreal.

A hospital spokeswoman said Mr. Bourassa died after suffering a relapse of a malignant melanoma, or skin cancer, that had been diagnosed in 1990.

After being elected in 1970 as the youngest premier in the province's history, Mr. Bourassa overshadowed Quebec and its struggle to be independent from Canada for the next 25 years. At times he seemed to straddle the issue of sovereignty. He fired secessionist passions by pushing through laws to ban English-language signs and make French the province's official language, important separatist demands. But he dashed dreams of sovereignty by campaigning for the preservation of Canadian unity.

The seeming contradictions and lack

of conviction earned Mr. Bourassa many detractors, who were delighted to pillory his wooden public image.

But his ability to come back, and his evident dedication, won him admiration even from his opponents. Lucien Bouchard, the separatist premier of Quebec, on Wednesday called Mr. Bourassa "a man of quality and courage."

### Moneta Sleet Jr., 70, Dies; Civil-Rights Photographer

NEW YORK (NYT) — Moneta Sleet Jr., 70, who brought his camera to a revolution and ended up capturing many of the images that defined the struggle for racial equality in the United States and Africa, died of cancer Monday at Columbia-Presbyterian Medical Center.

He was best known for his Pulitzer Prize-winning photograph of the funeral of the Reverend Martin Luther King Jr. The cancer was diagnosed when he returned home to Baldwin, New York, after covering the Olympics for his longtime employer, Ebony magazine.

In 1968, when Coretta Scott King learned that the small pool of photographers covering her husband's funeral did not include a black photographer, she ordered that if Mr. Sleet were not allowed

## Last 4 of 8 Fetuses Are Lost by Briton

Agence France-Presse

LONDON — Mandy Allwood, the British woman who refused to have selective abortions to save some of her eight fetuses, lost the last four of them Wednesday.

The 32-year-old woman, who was entering her 19th week of pregnancy, suffered a first miscarriage at home late Monday.

She lost two more fetuses in a London hospital later that day and a fourth one earlier Wednesday. She had conceived the babies after taking fertility medication.

Dr. Donald Gibb, an obstetrician at King's College Hospital, said after the loss of the first three fetuses that it was "highly unlikely" the remaining ones would make it to birth.

in the church and given a choice vantage point, there would be no photographers.

The composer Joonas Kokkonen, 74, died of heart complications Wednesday at his home in Järvenpää, in southern Finland, his wife, Anita Kokkonen, said. He was best known for his opera "The Last Temptations." Premiered by the Finnish National Opera in 1975, it brought him instant fame at home and was successfully performed abroad. His other works included four symphonies.

## AMBASSADOR: Paris Is Asking, Will She or Won't She?

Continued from Page 1

companies with interests in Cuba, Libya, and Iran, and things are getting tougher.

This fall, Mr. Chirac's defense minister, Charles Millon, threatened to halt moves to bring French forces back into full military integration within the NATO alliance when the Pentagon categorically rejected demands that a French officer eventually take over the North Atlantic Treaty Organization's Southern Command in Naples, a post traditionally held by a U.S. officer.

And last week, when the French asked for a European seat at the current crisis meetings between Israeli and Palestinian leaders in Washington, Mrs. Harriman and her superiors told them to buzz off.

By that time, gossip about her possibly imminent departure had reached the point that when she sent out invitations to an Oct. 1 garden party, several guests called to ask her staff if she was planning to use the occasion to announce her departure.

"It's outrageous," Mrs. Harriman fumed at the garden party. She was not leaving any time soon, she said, and even if she did decide to go back home, she would stay on until her successor was confirmed — maybe even as late as next June.

But this kind of answer only fuels the speculation. "So when are you leaving?" a British guest greeted her at another reception this week, to her annoyance.

What seems clear is that, if Mr. Clinton stays in the White House after next January, he will have to talk his ambassador to France into staying here longer than mid-1997 if that is what he wants her to do. Even professional American diplomats who have little hope of rising to ambassadorial rank if Mr. Clinton continues his propensity for making political appointments like Mrs. Harriman say they hope the president renews her franchise.

Mrs. Harriman, whose Washington connections and fund-raising for the Democratic Party helped get Mr. Clinton elected in 1992, plans to go back to Washington immediately after the Nov. 5 election, her aides say, to discuss her future with the president.

"Maybe I have other things I would like to do," is about all she will say about that now.

Success in the Paris job did not come easily.

Pamela Harriman, ex-Pamela Leyland, ex-Pamela Churchill, ex-Pamela Digby, a character straight from a novel, wrote Isabelle Juppe, Prime Minister Alain Juppe's wife, in a book published when he was foreign minister, shortly after Mrs. Harriman got to Paris. "Daughter of an English lord, Lord Digby, first married to the son of Winston Churchill, divorced and then came to Paris after the Second World War to live there for 10 years, Pamela Churchill exiled herself to the United States and

then was married again, to an American producer," Mrs. Juppe wrote.

The producer was Leland Hayward, and after his death she married former Governor W. Averell Harriman of New York, who left his widow half his \$65 million estate when he died in 1986. His children and grandchildren later sued Mrs. Harriman and other trustees of their half of the estate for alleged mismanagement that reduced it to \$3 million, but she settled the lawsuit on undisclosed terms at the end of last year.

"Angelically blue-eyed and iron-fisted as ever, 'Pam' had been through thick and thin in Washington and broken hearts right and left," Mrs. Juppe wrote. "Now she was again the queen of Paris high society."

She brought her longtime political assistant, Janet A. Howard, with her as her personal right arm, making her an embassy attaché without diminishing the highly regarded career Foreign Service officers who have been her deputies, first Avis Bohlen and later Donald K. Bandler.

Mrs. Harriman and her past fascinated the French political class, who devoured the French edition of Christopher Ogden's juicy unauthorized biography, "Life of the Party," but shrugged off the occasional clichéd magazine articles portraying her as a mere courtesan with no political judgment because they seemed to be completely wrong.

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## EDITORIALS/OPINION

## Herald Tribune

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

## New Labor Is Better

Only a few years ago, Britain's Labor Party seemed locked into a decline as inexorable as that of the coal mines and smoky factories whose workers built its ranks. Now it has rebounded to a healthy lead in the polls based on a modernized, middle-class platform far removed from the old socialist themes of nationalization, union power and unilateral nuclear disarmament.

Having lost four consecutive national elections since 1979, Labor is determined to win the next one, due no later than next spring. Tony Blair, a telegenic, media-savvy 43-year-old who became the party's leader two years ago, has modeled himself on Bill Clinton and tried to capture the broad center on social, economic and defense issues.

Labor's recovery is welcome. Strong competition is invigorating to democracy, just as it is in the marketplace. Labor's updated positions calling for a flexible mix of public and private ownership and more democratic decision-making serve Britain better than those they replaced. Other Labor views are vague but appealing campaign slogans whose real meaning will become clear only if the party takes power.

British politics was transformed in the 1980s by Margaret Thatcher. Breaking sharply from the aristocratic traditions of the Conservative Party, she won over much of the upwardly mobile urban middle class with an emphasis on markets, deregulation and self-reliance. Under her chosen successor, John Major, the Tories have stumbled and been riven by internal conflicts over Britain's proper role in the European Union.

Americans would find Labor's campaign platform, which has been on display at this week's party conference, familiar ground. In place of the old socialist slogans are calls for combating crime, cutting taxes and assuring business profits. Mr. Blair urged his union allies to "forget the past."

"No more bosses versus workers. You are on the same side," he said. He made a direct bid for the middle-class voters Mrs. Thatcher wooed away from Labor, reaching out to small business and the self-employed with promises of tax relief, reduced bureaucracy and tight fiscal discipline. He identified Labor as "the party of law and order" and pledged to sustain a strong national defense.

Labor's clearest difference with the Conservatives is its more positive approach to the European Union. But even here the party is cautious, stressing Labor's commitment to national independence and opposition to joining a "European superstate."

In the developed world, the center-left parties that regularly elected governments in the 1960s and 1970s saw voters defect in large numbers during the 1980s and early 1990s. Most have tried to rebuild their strength by modernizing their appeal, and it makes sense for British Labor to seek lessons from Bill Clinton's campaign successes.

Mr. Blair's success in broadening Labor's appeal seems real. The test is whether he can hold this new base together in an election, and, if Labor wins, in a new British government.

—THE NEW YORK TIMES

## Respite for Afghans?

The freedom fighters who ousted the Soviets and their local clients from Afghanistan 15 years ago have since been fighting viciously and seemingly endlessly among themselves. With the Taliban guerrilla army's sudden capture of Kabul, however, a peace of Islamic fundamentalism seems on the way to being settled upon a small country that perhaps suffered more than any other in the Cold War.

It is deeply satisfying that the carnage which overtook Afghanistan while and after the Soviet Union invaded and the United States came covertly to the aid of the mujahidin may be nearing an end. But it is anything but inspiring to see a regime of raw Islamic fundamentalism being imposed forcibly upon survivors whose strongest wish presumably is to get on with the secular recovery of their country.

Taliban is composed of religious students and former anti-Communist guerrillas drawn from a pool that has also sent recruits to the ranks of international terrorism and to other Islamic battlefronts. Entering the capital, Taliban leaders extracted Mos-

cow's man in Kabul from his United Nations sanctuary and hanged him, banished women from the workforce and otherwise set out to cleanse a society thought too open and permissive. That Taliban is said to be more devoted to implanting revolution at home than to spreading it abroad cannot bring much cheer to Afghans. Meanwhile, Taliban is reported to be back in the heroin business, which earlier it had moralistically spurned.

The United States has called upon Taliban to restore order and to form a "representative interim government" — as if this were advice it was likely to snap up. America's diplomatic task in Afghanistan is to apply what residual influence it may have there to the discouragement of further competitive intervention by Pakistan and Iran, which have backed Taliban and the Kabul regime respectively, and by others who have been playing out this latest phase of the "great game." Afghanistan deserves a respite from foreigners' struggle for influence, and from its own murderous wars.

—THE WASHINGTON POST

## Rich Nations and Poor

Why do some developing countries prosper while others languish? Shedding light on that mystery is, in theory, a key task for thousands of finance ministers, central bank chairmen and other money wizards who have descended on Washington this week for annual meetings of the World Bank and the International Monetary Fund. Frustrated drivers in town may be forgiven for suggesting, as a means to help alleviate Third World poverty, that the ministers be stripped of their limousines and placed in smaller, more fuel-efficient automobiles. But that, it must be admitted, would be only a small, first step.

One-quarter of the world's population lives in poverty. Some 1.2 billion have no access to drinkable water, 2 billion live without electricity, 2.5 billion without telephones (never mind the World Wide Web). This is not just an issue of conscience. Unless the developing world does better, the developing world cannot in the long run expect to prosper; nor can issues relating to disease, the environment or immigration be forever quarantined.

The wealthy countries will take a significant step this week by approving a program of modest debt relief for poor countries that follow sound economic policies. But even this measure is a reflection of past failures — of World Bank and IMF loans that did little to relieve poverty. How can future programs be made more successful? Recent studies offer some direction, if not direct answers.

Development economics used to

teach that inequality was essential, because you needed rich people at the top to invest money. Now economists believe the reverse: that more equal distribution of land and credit is helpful. In the old days, too, the orthodoxy was that democracy was bad for growth; now World Bank experts say they see no correlation, one way or the other.

If Western-style parliamentary democracy is not essential, though, it now seems that good governance — the rule of law — is. In East Asia, where once poor economies have taken off, governments acted broadly in the people's interest. They invested heavily in basic education and primary health care, and they provided a stable, predictable climate for long-term private investment.

Foreign investment flows to developing countries have in fact quadrupled in the past five years, and now easily outstrip official foreign aid and development lending — but such investment goes mostly to a dozen or so successful countries.

Fifty countries, meanwhile, get virtually none. One reason, the World Bank director, James Wolfensohn, told assembled bankers on Tuesday, is "the cancer of corruption." From now on, he said, the bank will work with the poorest countries on "the fundamentals": social development, liberal trade regimes, reliable legal and judicial systems, incentives to save and invest. The success of this effort will depend on the fraying consensus for helping those in need.

—THE WASHINGTON POST

## Kohl's Agenda Is Too Big for a One-Man Show

By Jim Hoagland

WASHINGTON — Six years after the swift reunification that few expected and many feared, Germany's power to redefine Europe remains largely unasserted. But that strategic aloofness can no longer endure.

Helmut Kohl drove Germany to reunification on Oct. 3, 1990 with vision and determination. But the chancellor has temporized on most big foreign policy decisions since, finessing deep divisions within his country, his cabinet and most importantly within himself.

But deadlines for Europe's destiny now crowd him into decision. In the east, he continues to resist what he sees as needlessly provocative U.S. efforts to force a decision now on extending NATO deep into the former Soviet sphere of influence. The recent scheduling of a NATO summit for next year to decide on new members means that the clock now ticks against him.

In the west, he faces agonizing choices on sticking to or changing the existing timetable and criteria for unifying the German mark with the French franc, the Italian lira and other European Union monies into a single European currency by 1999.

The Maastricht treaty timetable on European federalism kicks in with the yearly national budgets being adopted in Europe this autumn. The results that

these budgets produce will determine who qualifies for currency union. If France does not qualify, Mr. Kohl will face a Hobson's choice of sacrificing the mark's stability or the French-German political partnership that has been central to the drive for European federalism.

Germany's economic power and its location at Europe's center automatically make the chancellor the central figure in both West and East European politics. His longevity in office (14 years this month) and total domination of the German political landscape add to his continental authority.

But in contrast to his open, ruthless determination to mold the will of Mikhail Gorbachev and others to the cause of German unity six years ago, Mr. Kohl today is described by some who know him well as torn by the strong pulls exerted by Germany's past, its alliances with Paris and Washington and his highly personalized fears about Russia and its ruler, Boris Yeltsin.

Mr. Kohl is increasingly secretive, shutting out the Foreign Ministry from key decisions on NATO, the European Union, the Baltics and Russia. He handles relations with Iran and Israel through his intelligence chief, Bernd

Schmidbauer. Only on the problematic Bosnian crisis does he leave Foreign Minister Klaus Kinkel and his aides a free hand, it is said in Bonn.

This operating style is not new for Mr. Kohl, whose vision of what was possible and necessary in foreign policy was in deep conflict with Mr. Kinkel's predecessor, Hans-Dietrich Genscher. What is new is the complexity of the decisions now on the immediate horizon, and the confusion and contradictions that Mr. Kohl's Lone Ranger style is producing.

NATO expansion is a leading example. Mr. Kohl spurred discussion of taking Poland, the Czech Republic and Hungary into the military alliance by repeatedly telling diplomats and German officials two years ago that Germany could not remain the eastern frontier of Europe. He seemed to support early membership in NATO and the European Union for Poland.

But he then became deeply concerned that Russian nationalists would use the NATO issue to undermine Mr. Yeltsin in his July re-election bid. The Foreign Ministry also urged caution. Early EU membership for Central European countries drew the opposition of Mr. Kohl's powerful finance minister, Theo Waigel, and the French. He began to temporize, as Bill Clinton

became more committed to taking the ex-Soviet satellites into the West.

Mr. Kohl has surprised U.S. officials by continuing to demand a soft approach on NATO beyond the Russian voting. He disclosed in a Sept. 11 speech to the Bundestag that he had won agreement from Mr. Clinton, Britain's John Major and France's Jacques Chirac not to surprise Russia with a decision on NATO enlargement this year.

His adamant opposition doomed hopes at the Clinton White House to announce with fanfare a date and enlargement agenda for a NATO summit next year and thereby preempt Republican campaign criticism on this score. Instead the Sept. 6 announcement of the summit by Secretary of State Warren Christopher without a fixed date and site drew scant attention.

I prefer Mr. Kohl's recent caution on enlargement to his earlier impulsiveness. But the point is that the crossroads decisions that are inexorably moving upon him are ill-suited to a personal and secretive one-man show.

He needs to marshal all the expertise and wisdom he can find within his government, country and alliance in the difficult coming months. That will focus Germany's power, not just his own, on problems that will no longer wait.

The Washington Post

## The New Israeli Hard Line Aims for a Palestinian Breakdown

By William Pfaff

PARIS — Yasser Arafat and Benjamin Netanyahu are playing a lethal version of the children's game called *flinch*. Israel's leader needs to force the Palestinian leader or his followers to break off the so-called peace process, or to do something that could be interpreted as a deliberate break. Mr. Arafat must keep the Palestinians from being provoked into doing what Mr. Netanyahu wants.

Mr. Arafat's own and his movement's survival depend now on support from Washington and from the European powers. To keep that support, Mr. Arafat has to remain Israel's victim — and the leader

who is willing to be reasonable. It is the main negotiating power left to him. But the despairing fury of the Palestinian masses may sweep him aside.

Mr. Netanyahu has from the beginning declared that he intends to replace the bargain of land for peace, made by his predecessors Yitzhak Rabin and Shimon Peres, with a new bargain which he calls "peace for peace." In this, the Palestinian authorities would prevent violence and terrorist attacks against Israel, and in exchange Israel would leave the Palestinians at peace to exercise

autonomy within the territories they today occupy.

There will be no Palestinian state, no sharing of Jerusalem, and no halt to the "thickening" and expansion of existing Jewish colonies on the West Bank and in Gaza.

Mr. Netanyahu proposes "continuous negotiations" that would reopen some problems already settled, adding that the Palestinians' violence last week will not be "rewarded," that Mr. Arafat must promise that there will be no more violence, and that if there should be violence, Israel will consider itself

free to break its promises. This obviously is the language of ultimatums, not of negotiations.

Because Mr. Netanyahu's stands on Jerusalem and Palestinian statehood preempt the outcome of the peace process to which the Israeli government committed itself in Oslo and at the White House in 1993, it is necessary to Mr. Netanyahu that a formal break in the process be accountable to the Palestinians.

Thus he and his government say that last week's conflicts were planned and instigated by the Palestinian authorities to generate international pressures on Israel and induce concessions by the new government. Re-

opening the archaeological tunnel near the Al Aqsa mosque, according to them, was merely a pretext that Mr. Arafat seized upon for what Mr. Netanyahu and his supporters call acts of aggression against Israel.

This will remain the Israeli position: that Israel is the victim of Palestinian maneuver and aggression. The fault in the argument is that the Palestinians now have nothing lasting to gain from more violence.

Mr. Arafat found short-term advantage in last week's events, as they momentarily re-established his authority as the only credible Palestinian leader, and they put the conflict back on the American agenda. But the Palestinians cannot win a war against Israel.

More violence plays into Mr. Netanyahu's hands, and if it gets out of control — which is more than possible, given the frustrations of the Palestinians, as well as the fears and divisions among the Israelis — Israel will crush the Palestinians.

The Israeli government threatened last week to send tanks back into supposedly autonomous Palestinian towns and territories to disarm the Palestinian police. While there now are some 30,000 of the latter, they are lightly armed and would certainly lose in the end, even if the battle to disarm them caused many Israeli casualties. It might also, of course, invite a new attack from Israel's neighbors.

Mr. Netanyahu, despite what he has done, does not want war. He was elected to bring Israel "peace with security." If his policies bring war and gross insecurity, that will turn the Israeli electorate against him.

He wants, and must have, the Palestinians' submission. Mr. Netanyahu — like the settlers, and many of the Likud Party's members and others on the Israeli right — holds that an Israeli population of some 4.5 million can permanently dominate the million Palestinians who live on the West Bank, while continuing to colonize what they call Judea and Samaria.

Israel's physical power to do so is undoubted. But is Israel morally capable of permanently imposing "Bantustans" upon the Palestinians, or recreating a form of apartheid — or of simply driving the Palestinians out? It is impossible to believe that, which would be Israel's moral suicide.

There is Mr. Netanyahu's weakness. It is why his policy will sooner or later be repudiated. But the repudiation may be too late.

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## What Clinton Ought to Be Saying to Netanyahu

By Thomas L. Friedman

WASHINGTON — The date is Nov. 10, 1996. Bill Clinton has just been re-elected president in a landslide. His first foreign visitor is Prime Minister Benjamin Netanyahu of Israel. Here is what the president says to him:

Bibi, welcome back. The first time you came, in July, your strategy was to say that you were going to come up with a new strategy of implementing the peace accords and that we should give you time. The second time you came, in September, you had no strategy, but you played for time by exploiting the Iraq crisis and whispering to us that the Iraqis had nuclear weapons. The third time you came, in October, was so that we could deal with the violence that resulted from you having no strategy.

At that time, your supporters here got Dole to crudely warn me against squeezing you, and so I couldn't, for fear of losing Jewish votes. Nice move. But now you're here for a fourth time, after yet another blowup. But now I'm a free man, and so this time, Bibi, I'm going to give it to you straight from the shoulder. Bibi, you're an intelligent, serious person, with aspirations to be a great leader. Because of your communications skills and credentials as a hard-liner, you have the potential to build a consensus within Israel on peace that no other Israeli leader at this time can do. But so far all you have done is polarize Israeli society anew and lead it into a dead end.

I know, Bibi, that the U.S. cannot impose peace. But there is one thing I can do, and that is impose a sense of reality on all the parties, including you. You may no longer have a mandate or strategy, but I have both. And now it's my move. I want Israel and the Palestinians to complete implementation, by a fixed date, of all the Oslo accords already signed for Hebron and for the further redeployments in the West Bank — with the understanding that there will

be no unilateral changes by either side on issues to be negotiated in the final talks.

We still insist that Palestinian police, whatever the provocation, have absolutely no right to use violence to press their cause. But let me be clear: Since there have been no reasonable ideas coming from you on how to implement all that has been agreed, I will be putting out my own ideas to keep Oslo moving and to get us to the final-status negotiations. Remember, my signature is also on the Oslo accords.

In the meantime, some free advice. First, surprise everyone: Close the tunnel door. Announce that while Israel is fully within its rights as the sovereign power in Jerusalem to open the new tunnel door, this issue has become so inflamed, and become such a distraction from your real objective of building a secure peace, that you have decided to review the tunnel-door issue and will close it meanwhile.

Yes, some of your hard-line colleagues will criticize you, and the press will say you flip-flopped. But the majority will see it as a real act of statesmanship. It will deprive your critics of the argument that you're out to scuttle peace, and it will force everyone to give you a second look.

Second, Bibi, you are a very forceful debater. But I don't think you realize how you sound to Arab ears. There is a real tone of condescension and disdain that creeps into your voice. It started with your address before the U.S. Congress, when you lectured the Arabs about not being democracies; it came out in your disparaging remarks about Egypt, and it's always there when you talk about the Palestinians.

Listen to your ministers David Levy or Dan Meridor. They make the same arguments as you, but without your morally superior style, which is really going to get in the way of your substantive diplomacy.

Finally, Bibi, please understand one thing. If this Israeli-Palestinian peace process unravels, the entire structure of Arab-Israeli peace since Camp David will be eroded. Egypt, Jordan, Morocco, Qatar, let alone Syria, will never be able to proceed along a road of real normalization with Israel without the cover of a real Israeli-Palestinian peace agreement.

You were elected on a mandate for "secure peace." You are squandering that mandate, and in doing so you are calling into question what we always believed was the shared priority of America and Israel — to bring about peaceful relations between Israel and all her Arab neighbors. That is still our priority. Is it yours?

The New York Times

## The Mouse That Ate America

By Frank Rich

NEW YORK — Having given us a theme park America, it only follows that Disney is trying to increase its adult market, much as the next Disney park, Animal Kingdom, will lure kids away from American zoos.

Celebration, Florida, Disney's built-from-scratch town for 20,000 residents, is, as Harper's magazine puts it this month, a possible "harbinger of America's future" — "a community built by a business in which a picturesque town hall (designed by Philip Johnson, no less) and a company-edited newspaper will provide the illusion but not the reality of self-government."

There is much to admire about Disney as a company, including its refusal to knuckle under to the religious right's assaults on its racier entertainments and nondiscriminatory employment practices.

Disney's nearly complete renovation of New York's New Amsterdam Theater is an extraordinary resurrection of a landmark. But right next to the New Amsterdam is the cultural price of the venture: a new Disney store that, for all its Broadwayish signs, brings a mall sensibility to what was once a quintessential urban block.

That is the essence of Disneyfication — the substitution of what the writer James Howard Kunstler calls "the tragic falsehood of Hollywood" for an indigenous American reality.

As cities and communities disintegrate, Americans seem less inclined to repair them than to invest their time and money in Disney's Main Street, U.S.A., where a romanticized vision of lost towns, clean and crime-free and always jolly, is preserved in aspic and acted out by performers.

What used to be a civic ideal in America is now a movie set for Americans to visit during vacations.

"I don't think it can get too big," said Michael Eisner, Disney's chairman, of Disney World, arguing that even the one Disney venture that ran asunder, a history theme park near Virginia's Civil War battlefields, was popular with everyone except The Washington Post.

Mr. Eisner's bullishness is well founded. The only serious impediment to Disney's tireless expansion is the rapidly growing, increasingly theme-park-inspired gambling industry.

The competition between theme park heavens and theme park hells for Americans' disposable income is a high-stakes battle that promises to transform the cultural landscape at an even faster pace than Disney already has. The magic kingdom that Mickey built, today an international symbol of merchandising overkill, may in another 25 years look like the last refuge of good taste.

The New York Times

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## OPINION/LETTERS

## The U.S. Erupts in Another Puritan Panic

By Carol Tavris

LOS ANGELES — The news has been full of reactions to the story of the 6-year-old North Carolina boy who kissed a 6-year-old girl and was immediately suspended for this "unwarranted and unwelcome touching." As a former little girl, I think what he did was a big improvement on the way boys used to express affection, by hitting or pulling hair. But

## MEANWHILE

in today's climate, that little boy is an incipient sex offender. His story illustrates all too clearly how confused many Americans have become in deciding what exactly constitutes sexual abuse and sexual harassment and what should be done about them.

The savage streak of puritanism that lurks just below the surface of American culture erupts from time to time in what the sociologist Stanley Cohen called "moral panics" — crusades and contagions that occur when people's general anxieties become attached to particular events or deviant individuals who represent to them a threat to the social order. Moral panics have been attached at various times to pedophiles, marijuana smokers, communists, homosexuals, rock 'n' roll musicians, and most famously, alleged witches. In each case, the hysteria generated to "root out" these sources of evil, along with laws passed and bureaucracies instituted in the wake of that hys-

teria, have caused more devastation than the original problem.

Today, we Americans are in the midst of national hysteria about child sexual abuse. As with all moral panics, it stems from legitimate worries — in this case, about the safety of children in our hypersexualized age. And it stems from the understandable rage produced by sensationalized stories of sexual predators and psychopaths. But pedophiles and sexual psychopaths have always been with us. What distinguishes a moral panic from reasoned efforts to deal with sex offenders has to do with the tone and sweep of the solutions offered.

We can tell we are in the grip of hysteria when parents are afraid to kiss their baby's bottom, when teachers are warned not to cuddle a frightened child, when grandparents are worried about embracing children on their laps and when adults interpret children's kisses and normal sexual curiosity as signs of mental illness or "harassment." Considering how much children need cuddles, kisses and embraces, I wonder why no one thinks it's an act of child abuse to deny them these expressions of nurturance and affection.

The problem is that "sexual abuse" has come to include everything from seeing a flasher to being raped; from one unpleasant experience to repeated coercion. It is assumed, with no evidence,

that all of these experiences are psychologically equivalent and equally devastating.

Because of the growing number of people who have enlisted with the Sex Abuse Police, new categories of "abuse" must continually be defined, so as to punish more perpetrators and treat more victims. In the case of children, most "behavior problems" are nothing more serious than expressing affection, playing doctor or masturbating — entirely normal forms of childhood sexuality. (Adults who think that "childhood sexuality" is an oxymoron have conveniently forgotten their own childish curiosities.)

Sometimes it takes an outsider to show us the folly of our ways — and a way out. I was privileged, a few years ago, to exchange letters with the writer and social critic Jessica Mitford, who died this past summer. Our topic was sexual hysteria, and she told me the following story about her daughter Dink:

"In about 1948, when she was 7, we lived near the Municipal Rose Garden" in London, she wrote. "Dink and the other little girls used to meet and play there. The children reported that they'd often seen a man who would be lurking in the bushes and came out exposing himself to them. Our neighbors reacted predictably; the men were going to catch him, castrate him and Lord knows what."

"Useless to point out that chaps who do that are unfortunate specimens but they very seldom go on to rape or other violent behavior. In the course of this episode, I found out that the police term for these deviants is 'lily-waver,' which I thought rather appealing."

"A mother of one of the other kids came round to complain that Dink had been seen talking to the fellow. All the other children had been ordered not to talk to him, and had obeyed. So I called Dink in and asked, 'Did you speak to the lily-waver?' 'Yes,' she answered stoutly. 'He said, 'Little girl, have you ever seen one of these before?'"

"And she answered, 'Yes, of course, loads of times.'"

"Upon which," Mitford concluded her letter. "I imagine the lily must have wilted."

What she understood, what we would all do well to learn, is that the first line of defense against sexual molesters and sexual hysteria is honest sexual information, a sense of perspective and a sense of humor. Children will be better protected by parents who instill in them Dink's attitude than by fleets of prissy school superintendents or overzealous therapists driven by moral panic and an anti-sexual agenda.

The writer, a social psychologist who writes on behavioral research, contributed this comment to the Los Angeles Times.



## In Targeting Legal Immigrants, America Hurts Its Very Identity

By George Soros

NEW YORK — In the past seven years I have devoted considerable energy to supporting the creation of open societies in the former Soviet bloc.

In those countries, the meaning of "open society" was easy to explain: It was the opposite of Communism.

Open society was the United States, a country characterized by a reliance on the rule of law, a democratically elected government, a diverse culture and respect for people who are different. The truth, of course, was always more complicated. Yet the image and the ideal were inspiring, and they remain so to this day.

Legal immigrants — refugees fleeing religious and political persecution, family members wanting to be reunited with loved ones, young entrepreneurs with talent and drive — have long come to America seeking a fair chance to contribute and, in the process, have enriched American culture and strengthened the nation.

On Tuesday, Congress began taking away much of that fair chance when the new welfare law went into effect. It will bar most legal immigrants, including permanent residents and refugees granted asylum, from receiving food stamps and Supplemental Security Income, which benefits the elderly and the disabled. Legal immigrants will also be denied welfare and Medicaid benefits in their first five years in the country.

According to the Congressional Budget Office, more than 500,000 immigrants are likely to lose Supplemental Security Income. About 900,000 are likely to lose food stamps. Legal immigrants represent only about 5 percent of those on public aid, yet they are absorbing more than 40 percent of the cuts in welfare.

Immigrants have always pulled their weight. Except for the right to vote, legal immigrants in America have enjoyed the same rights and shared the same responsibilities as citizens. They serve in the military. They contribute more in taxes than they receive in benefits.

Denying them the safety net they help pay for is neither necessary nor fair, and it breaks

with a long and proud tradition of treating legal immigrants as future citizens who are assets, rather than as noncitizen aliens who are a burden.

More than half of the legal immigrants who will lose their benefits have lived in the United States for more than five years and are likely eligible for naturalization. More than one million residents are expected to apply for citizenship this year.

Yet in taking benefits away from struggling immigrants we Americans are adding yet another obstacle to those they already face in applying for citizenship, including learning English, studying for the test and paying processing fees.

There is no question that the welfare system needs to be reformed so that it moves people from dependency to work. But to do so we must spend more money, not less, in the short term, because creating work requires increased public investment and spending on job training — for citizens and legal immigrants. Depriving legal immigrants creates false savings at the cost of perpetuating an injustice.

As an immigrant and naturalized U.S. citizen, I have a deep sympathy for all those who come to America in search of a better life. I have prospered, but I know that we all need a helping hand at some time in our lives.

After World War II, I left Hungary and stayed in England for several years, working as a railroad porter. I broke my leg and was taken care of, free of charge, by the National Health Service. I depended on government assistance.

If immigrants to America suffer similar misfortunes, if they cannot work or find a decent-paying job and their families are starving, where will they turn for help?

In the answer lies our identity as people and as a nation.

The writer is an international financier who on Monday founded the Emma Lazarus Fund, which aids legal immigrants. He contributed this comment to The New York Times.

## LETTERS TO THE EDITOR

## No to a European Currency

Regarding "Count on European Monetary Union to Succeed, on Schedule" (Opinion, Sept. 20) by Theo Waigel and Jean Arthuis:

It is a pity that the finance ministers of Germany and France are not more convincing.

What begins as an explanation swiftly becomes an admonition. Their contempt for the public is too clear. The hapless nations of the European Union must do as they are told by the General Council of the European Central Bank, which will know exactly what is best for them. So much for sovereignty. So much for history. What a prospect.

DAVID READ.

Chene-Bougeries, Switzerland.

## A Briton Says No to EU

Regarding "Britain Needs New Spectacles to See the Road Ahead Clearly" (Opinion, Aug. 31) by Roy Denman:

What Sir Roy writes is a lively expression of a distorted vision.

Sir Roy says that if Britain were to rid itself of its illusions and brace up to reality, it could play a major role. Of course, what he means is that if Britain were fully integrated into a European state, some great men in the Denman mold could look forward to a much grander role and perhaps much greater power and influence than if they were confined to devoting their brilliant abilities to the service of Britain.

For that prize and the opportunity to compete for positions of power and influence in a European superstate, Sir Roy and the elitists who think as he does would cheerfully subject their fellow countrymen to a constitutional regime that in inspiration, formulation and practice rejects principles and attitudes that are an important part of the British heritage, tradition and identity; and they would

happily see power stripped away from the Westminster government and Parliament and the British electorate.

British people, at last aware of what the elitists have planned for their country and its future, are increasingly offended by the irresponsibility of the governmental institutions invented for the European Union, and by the interventionism, muddling confusions and arrogance of the Union's bureaucracy.

Tocqueville would have known how to criticize the excess and muddle of that regime.

There is no economic, financial or political need for Britain to be subsumed in a European superstate.

The process Sir Roy and his fellow Humpty-Dumpties would like to intensify should stop now. That would provide a new springboard for British endeavor and enterprise hitherto hampered by the interventionist policy and rules of the European Union.

If the Humpty-Dumpties fall off their wall, Britain will rejoice and will relish an unshackled freedom to continue and intensify the great political and economic success for which it is independently so well equipped.

LEOLIN PRICE.

London.

## Doubts on Flight 800

Regarding "A Theory That Won't Go Away" (Sept. 18):

The FBI agent in charge of the criminal inquiry into the explosion of TWA Flight 800 got angry when asked about the theory that "friendly fire" had brought down the plane, saying that allegations of a cover-up were "outrageous."

It wasn't until this past summer that the U.S. government admitted that thousands of Gulf War soldiers had been exposed to deadly chemical poisons, including sarin and cyclosarin.

Earlier, the government had said that only 150 U.S. troops had been exposed. Now the number has increased to 15,000.

JEANETTE F. HUBER.

Kinsale, Ireland.

## A Baggage Plane

Considering that every night there are a number of flights, say, from New York to London, might it not be a relatively cheap solution to the threats posed by terrorism if these competing airlines got together and sent the combined baggage of those flights over separately on a jointly operated baggage plane?

C.H. van SCHOONEVELD.

La Roche sur Foron, France.

## Che Guevara as Icon

Regarding "In the Camera's Flash, a Myth Is Made" (Opinion, Sept. 10) by Tomas Eloy Martinez:

It is a true insight into the moral bankruptcy of American intellectual culture when the chairman of Latin American studies at Rutgers University reduces Che Guevara to a Playboy centerfold for the politically pubescent, an icon to teenagers prying at the altar of anarchy.

Mr. Martinez's failure to mention even once the social, political and economic injustices that motivated Che, and which continue today, is testimony to the shallow waters in which such intellectuals set sail.

STEVEN TROP.

Dusseldorf.

## Quality of Life

Regarding "Who Has Enough Money to Hire Welfare Mothers?" (Opinion, Sept. 26) by William Safire:

In Mr. Safire's comments about family leave, I was appalled

## Correction

A column by Colman McCarthy entitled "A School for Teaching Death in the Americas" (Opinion, Sept. 30) referred erroneously to nuns instead of priests. The passage should read:

This year Father Bischoff was one of 13 demonstrators sentenced to federal prison. On Fort Benning property they staged a re-enactment of the 1989 murders of six Jesuit priests in El Salvador. The street theater was fitting. Of the 27 soldiers fingered by the UN truth commission for the murders of the priests, 19 were graduates of the School of the Americas.

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## INTERNATIONAL

# The High and the Mighty Unleash Their Anger at British Quarantine

By Sarah Lyall  
New York Times Service

LONDON — Henrik Sorenson bitterly resented having to put his 12-year-old cocker spaniel, Mr. Bogie, into quarantine.

But when he arrived here in June, Mr. Sorenson, an attaché with the Danish Embassy, was forced by Britain's tough anti-rabies law to put his pet in a state-accredited kennel for six months.

"He was sent to prison in West Sussex," Mr. Sorenson wrote recently in an open letter to a number of British newspapers, dramatically describing Bogie's ordeal. "Here he was confined to stay in a small area with cement floors and heavy drafts."

Bogie died in the kennel. All Mr. Sorenson got were his ashes, delivered in a coffee jar wrapped in a dirty plastic

bag. The family was not notified that he had been ill with what the kennel said was liver cancer, nor were they allowed to see the body or order an autopsy.

"Our family will only remember Britain for its cruelty to animals," Mr. Sorenson said.

Mr. Sorenson's experience is just one of several in recent years that have cast an unflattering light on Britain's 75-year-old quarantine law, which requires all domestic mammals entering the country — even those that have been vaccinated and come from rabies-free areas — to spend six months in solitary confinement in one of 79 or so kennels licensed by the state. Domestic mammals include such pets as hamsters, cats and ferrets, as well as guide dogs and guard dogs.

Britain, which eliminated rabies in humans in 1902, is the only European

country with such a strict law. Other Europeans tend to laugh at Britain's obsession with the disease, saying it is another example of the insularity and paranoia that island living encourages.

Indeed, the issue is often used as a metaphor for Britain's wary, arms-length relationship with the rest of Europe.

One British objection to building the 31-mile (50-kilometer) Channel Tunnel, for instance, was the fear that rabid Continental animals would use it to slip unnoticed into Britain.

The government was so worried that it threatened to scuttle the tunnel unless ways of deflecting the disease were introduced. These measures included physical barriers, electrified grids, vigorous cleaning programs, a surveillance and reporting system and the deployment of baited traps, according to a government rabies-information pamphlet.

"The air turbulence caused by the trains will make it virtually impossible for bats to fly from one side to the other," the pamphlet added, "or for animals to avoid being sucked under the trains."

But Britain is still deeply concerned about people bringing rabies-infected pets into the country.

"All it takes is one animal infected with the rabies virus to start an epidemic," said a spokeswoman for the Ministry of Agriculture, Food and Fisheries. The department does not think much of the rabies vaccine. "It's obvious the vaccine doesn't do much," she said.

At the same time, the government concedes that only one of the almost 200,000 animals placed in quarantine since 1972 may actually have been infected with rabies before it arrived. The spokeswoman insisted that the low ra-

bies statistics were proof that the law worked. "The quarantine has been a very effective way of controlling and keeping out rabies," she said.

But a high-profile campaign against the law is gathering steam.

Chris Patten, the governor general of Hong Kong, called the law indefensible. He said he did not know how he would be able to stand placing his two Norfolk terriers in quarantine when he returns to England after Hong Kong reverts to Chinese rule next summer. Several prominent expatriate Britons, including the artist David Hockney and the actor Rupert Everett, have said publicly that they would rather live elsewhere than subject their pets to quarantine.

Two years ago the Agriculture Committee of the House of Commons recommended that the government in-

troduce a system, already in place in Sweden, under which pets that had been inoculated against rabies would be given "pet passports" and allowed free entry. But the government rejected the recommendation.

The government's main criticism was that the system, which would entail inserting electronic identity chips under pets' skin for easy identification, would be too cumbersome.

"The government has no means of controlling and policing it, particularly because we no longer have effective controls on our frontiers," said Michael Wykeham, who owns a kennel near Salisbury and is a member of the powerful Quarantine Kennel Owners' Association.

The association's members do more than \$14.5 million worth of business from quarantined animals each year.

## HEBRON: A Town Governed by Mistrust

Continued from Page 1

aim of marking a historic return to the land of their forefathers.

The pullout was delayed, however, following several bus bombings in Israel by Palestinian radicals last spring.

Since the election in May of Prime Minister Benjamin Netanyahu, the delay has continued with little indication that Mr. Netanyahu was interested in bringing it to a close.

And in the wake of the violence last week after Israel opened a new entrance to a tourist tunnel near a Jerusalem site sacred to Muslims, his followers have become even more convinced that the new Israeli leader should hold firm.

"We are praying that he will be strong," said Myriam Aviad, 48, a Jerusalem nursery teacher who expressed fear she would be unable to visit Abraham's tomb again if Mr. Netanyahu agreed to the pullout.

"If there are Israeli soldiers, yes. Otherwise, it will be very dangerous."

"You can't trust," she added, alluding to Palestinian authorities without mentioning their name. "We would like to trust. But you know, one minute and they change their minds."

David Wilder, a spokesman for the Jewish settlers who live near the shrine, expressed confidence that Mr. Netanyahu would refuse to pull Israeli soldiers from Hebron no matter how much pressure he comes under in Washington.

"I have no doubt whatsoever," he said. "Hebron is not for sale. This is a Jewish city, and we will never leave. There's no reason why I should trust international authorities or Yasser Arafat."

Ofra Aviad, Myriam Aviad's 25-year-old daughter, insisted that most of Hebron's Palestinian residents did not really want the Israeli Army to leave in

any case. "They've done surveys and everything, in Jerusalem and Hebron," she said confidently. "And they're afraid that if Arafat comes, there will be terror and everything."

Mrs. Aviad and her daughter were among hundreds of Israelis and foreign Jews bused into Hebron for Sukkot holiday visits to the heavily guarded shrine here.

Their tour buses roared down nearly empty streets, slowed only by occasional stone barriers and traces of burned tires from recent rioting.

Palestinian families were kept inside by a 20-hour-a-day curfew imposed by Israel since last week's clashes. The toll in Gaza, Jerusalem and the West Bank exceeded 70 but nobody was reported to have been killed in Hebron. Because of the curfew, only a few children were visible on Hebron's streets. The narrow alleys of the central market were silent, except for the buzz of flies and a distant call to prayer from mosques on surrounding hills.

Stars of David and menorahs sprayed by the militant settlers vied for space on the shuttered stalls with scrawled Palestinian rallying cries, such as "God is great" and "Hamas is everywhere."

Saiteer Salhab, 34, watched from his balcony as the buses moved down a narrow street leading to the shrine.

A Palestinian and a native of Hebron, he and his family have been confined indoors — in the building where he was born — since last Thursday, he said.

"We have just been sitting here doing this," he called down to visitors below, holding up a glass of tea.

Allman Qawasmeh, 24, a lieutenant in Mr. Arafat's security forces, said he and fellow Palestinians were looking to the Washington talks for concrete steps to-



Two Palestinian boys pausing in Dura, south of Hebron in the West Bank, as a long line of schoolgirls passed them on their way to a rally to support Yasser Arafat and his goals at the White House talks on Mideast peace.

ward Israeli withdrawal from Hebron and resumption of the final-status talks, which were suspended last spring. Gestures or symbols will no longer suffice, he declared.

"We are watching for a palpable result here in the street," he said, and some Hebron men and boys sitting on a shaded sidewalk nodded in agreement.

Mr. Qawasmeh said that Mr. Netanyahu was trying to start the negotiations over, rather than take them up where Shimon Peres, who was defeated in last

May's election, had left them. "What we want," Mr. Qawasmeh added, "is to carry out, to the letter, the agreements that already have been reached — the pullout from Hebron and then negotiations for new arrangements."

To get their way, Mr. Qawasmeh pointed out, Palestinians have a new means of pressuring Mr. Netanyahu — a method revealed last week, when some of Mr. Arafat's policemen fired on Israeli soldiers who were shooting at rising Palestinians.

More armed confrontations will follow if Mr. Netanyahu's Likud government fails to honor commitments or seeks to enter towns run by Palestinians to disarm the police, he warned.

"If this happens, there is going to be an uprising again," he said, alluding to the inflamed street violence from 1987 to 1993.

"But this time, it won't be an uprising of stones. You saw what happened last week. I'm telling you it will be an uprising of arms."

## SUMMIT: Further Talks Set

Continued from Page 1

capital, saying the peace process had been poised at the brink of collapse.

On the question of how soon concrete progress could be expected, Mr. Christopher said, "I think we're talking weeks," and not months.

Asked what would prevent the Erez talks, to be held at subministerial level, from dragging on interminably, the secretary said that the summit participants had repeatedly told him that if impasse was reached, notably on Hebron, "then the leaders themselves would re-engage."

During Mr. Clinton's news conference, a reporter asked him whether the fact that the three Middle East leaders had not spoken meant that the talks had failed.

The president then turned to the three men, seated to his right, and invited them to speak. All demurred.

"This is a miracle," Mr. Clinton said with a laugh. "I didn't part the waters but I have silenced the voices."

Following the meeting, Mr. Netanyahu vigorously shook Mr. Arafat's hand, clasping it in his hands for several seconds.

In his news conference later, Mr. Netanyahu said that the most important achievement of the talks was "to cement the principle that the path to peace is through negotiations, and not through violence."

"In my heart," he said, "I know that the children of Israel are safer tonight because of the consultations we had here."

Mr. Clinton had arranged the emergency talks in an effort to stem the violence in the West Bank and Gaza that followed Israel's unilateral decision to open a new entrance to a tunnel at the Temple Mount, an area in Jerusalem of deep significance to Jews, Muslims and Christians.

The completion of the tunnel ignited battles that left more than 70 Palestinians and Israeli security forces dead.

The meeting Wednesday came after expressions of frustration from negotiators on both sides and left uncertainty about the region's future.

A Palestinian negotiator said that not a single area of agreement had been found in a working-group session mediated Wednesday morning by Mr. Christopher.

There was lingering fear after the summit meeting that tensions in the region could return to crisis level.

Palestinians reportedly were hoarding food Wednesday, fearful of new violence, and Israeli troops were on high alert.

In Hebron, Israeli troops shot and killed a Palestinian in one of two rock-throwing incidents.

Meanwhile, CNN reported unexplained troop movements by Syria. In New York, the Syrian foreign minister warned Israel against pursuing a policy of "confrontation."

## NICARAGUA: A Charm Offensive

Continued from Page 1

second round will be held in November.

While polls are notoriously unreliable here — in 1990, most showed the Sandinistas winning handily — Mr. Aleman recently admitted that "Daniel is getting closer." Sources close to his campaign said concern bordering on panic is beginning to set in.

Mr. Aleman, who was close to the Somozas and whose candidacy is portrayed by the Sandinistas as an attempt to return to the Somoza era, is as polarizing a figure as Mr. Ortega, analysts say.

The two candidates in many ways represent the two sides that fought Nicaragua's civil war in the 1980s, when the Soviet Union and Cuba backed the Sandinistas while the United States backed the guerrillas known as contras.

The war finally ended in 1990, and the Sandinistas suffered a stinging electoral defeat by a centrist coalition led by Mrs. Chamorro. Her six-year term has been marked by peace, but the economy has deteriorated, poverty is chronic and unemployment hovers above 30 percent. In part, analysts say, it is the economic misery that is causing many voters to give the Sandinistas a second look.

As he barnstorms across the country, Mr. Ortega takes great pains to assure audiences that there will be no return of the military draft, perhaps the most hated institution of the Sandinistas' rule.

He also promises that a new Sandinista government will not try to revive the socialist experiment that, along with the war, has left the economy a shambles.

Mr. Aleman, a former mayor of Managua, warns that if the Sandinistas return to power, so will the days of stringent press censorship, rationed food and massive land confiscations.

But after his initial surge to 40 percent in the polls, his base has stagnated, political analysts say.

A political analyst, Oscar Rene Vargas, told the newsletter Confidential that Mr. Aleman was making the mistake of trying to campaign without presenting a specific platform "like Chamorro did, but it is a mistake because she was a legend and he is a mortal."

## French Deputies Endorse Juppe's Austerity Policies

Reuters

PARIS — Prime Minister Alain Juppe of France won a parliamentary vote of confidence for his austerity policies on Wednesday, 464 to 100, despite grumbling in his center-right coalition.

The victory had been a foregone conclusion since Mr. Juppe's coalition controlled four-fifths of the 577 seats. Almost all members of the ruling coalition voted for the government while the Socialists and Communists voted against.

## 'Three Urgent Goals' — Excerpts of Clinton Speech

The Associated Press

Excerpts of remarks made by President Bill Clinton at a news conference with King Hussein of Jordan, Prime Minister Benjamin Netanyahu of Israel and the Palestinian leader Yasser Arafat in Washington on Wednesday:

The four of us have agreed that I will speak about our two days of meetings and then do my best to faithfully answer questions that you have about it. And of course, the other three leaders will have a chance to be heard after the press conference.

I'd like to begin by thanking King Hussein, Prime Minister Netanyahu and Chairman Arafat for coming here to Washington at this critical and very difficult moment for the Middle East peace process. Their journey reflects a true commitment to peace and an understanding that there is no alternative to the

path of peace their people have traveled so far along in the last few years.

I invited them here with three urgent goals in mind. First, to seek to curb the terrible violence and death that we saw last week.

Second, to get the Israelis and the Palestinians talking again at the highest levels. And third, to help both parties return to the hard work of building peace through negotiations.

Today I can report progress on these goals. First, the Israelis and Palestinians clearly are talking again at the highest levels. I believe the calm, constructive, face-to-face meetings Prime Minister Netanyahu and Chairman Arafat have had here will help to build trust between them and promote progress on the issues that still divide them.

The prime minister and the chairman agree that they are partners in peace, understand that it is vital to take each

other — take into account each other's needs and concerns, and realize the importance of removing the frictions between them.

Second, the prime minister and Chairman Arafat have recommitted themselves to a nonviolent future, to renouncing violence in the resolution of their disputes.

Third, they are ready to renew and intensify negotiations on implementing the interim agreement, with Hebron as the first priority. They are committed to engaging immediately in talks and to achieving tangible progress quickly.

To assist them in this effort, I am sending Dennis Ross, our special Middle East coordinator, to the region now. The very first meeting will take place on Sunday morning at Erez. They want to resolve the problem of Israeli redeployment from Hebron, and they want to achieve this as soon as possible.

I might point out that these talks will be occurring continuously, and these will be the first continuous peace talks that have been held since the prime minister assumed office, with the Palestinians.

Finally, the leaders also understand the need to make arrangements between their security forces so that cooperation is more reliable and the situation on the ground is stabilized. They are prepared to do what is needed to achieve that, as well.

All of us should put the meetings that we have had over the last two days into the proper perspective. The peace process did not start today, and it will not be finished tomorrow. For three years now, the Israelis and the Palestinians have been moving forward along the path to a lasting peace. Every step is hard. It requires both sides to make difficult decisions and to keep their eyes fixed on the prize of lasting peace.

## KOREA: North Cranks Up the Tension

Continued from Page 1

whatever the North's motivation, its insistence has only angered South Koreans more.

President Kim Young Sam called this week for at least a 12 percent increase in military spending next year, and he signaled a much tougher line against the North than at any time since he took office in 1992.

He said the South would send no more humanitarian aid to help North Korea battle severe food shortages that international aid agencies say are bordering on famine. "North Korea is repaying our support for the North Korean people, extended out of warm brotherly love, with military provocations."

In Seoul, the North's insistence on the return of the bodies, even if it is nothing more than a transparent attempt to change the subject, has become "very sticky," said Lho Kyong Soo, a political science professor at Seoul National University. "The North Koreans are just looking for an excuse to do something else."

Mr. Lho said the common-sense solution was to return the bodies: "What good are the corpses?" But the Seoul government probably won't, fearing that the North would attempt to cast the dead men as martyrs gunned down by South Korean "war maniacs."

"The issue is not a high priority for us," one top government official said. "But obviously, they were on some sort of a mission, so it would be difficult to send the submarine and the agents back to the North."

■ Seoul Diplomat Slain in Russia

Nicholas D. Kristof of The New York Times reported from Tokyo:

The situation was made worse with the revelation Wednesday that a South Korean diplomat had been mysteriously murdered in Russia.

There was no proof that North Korea was behind the murder, but the circumstances were so strange and suspicious as to lead the South Korean government to immediately speculate that the attack was a North Korean assassination.

Choi Duk Keun was killed Tuesday in Vladivostok in eastern Russia. While violent crime is common in the area, the killing aroused special attention because Russian police reportedly suggested that it was the work of a team of two or more hit-men.

Mr. Choi, who was responsible for monitoring North Korean activities in the area, was carrying a passport and \$1,200 in cash when he was attacked, but nothing was taken from him. He was walking up the stairway to his seventh-floor apartment when he apparently was hit on the head with a blunt instrument and stabbed twice in the stomach with something sharp.

South Korean officials said that the wounds in the stomach may have been caused by a hypodermic needle rather than a knife. That immediately aroused suspicion in the South Korean news media that Mr. Choi had been injected with poison.

Russian specialists are conducting an autopsy on Mr. Choi and are said to be searching for two men, who did not appear to be Russians but had Asian complexions. The two men reportedly were seen in the stairway shortly before the attack by a Russian woman who lived in the building.

The police are said to have found plastic gloves with blood stains.



Bob Dole acknowledging the crowd Wednesday in Elizabethtown, Pennsylvania, where he was greeted by about 3,000 supporters at Elizabethtown College.

## Dole Thrashes Clinton As Foreign Policy Failure

Reuters

CLEVELAND — Bob Dole, the Republican presidential candidate, said in an interview published Wednesday that President Bill Clinton's foreign policy was in disarray and that the United States was losing credibility.

"Northern Ireland — we don't have a cease-fire," he said. "Things have gone to pot in North Korea. They have nuclear reactors. Cuba. I mean I can't point to the foreign policy success in this administration."

"It seems to me if we're going to have a foreign policy, we've got to follow up on it day by day," the challenger said. "It's got to be responsible. Otherwise we're losing credibility. We've lost a lot of credibility."

Mr. Dole made the comments in a meeting with the editorial board of The Plain Dealer on Tuesday after his latest Ohio campaign stop. The Cleveland newspaper published a partial transcript of the interview on Wednesday.

Mr. Dole also said Mr. Clinton had not achieved U.S. goals in Somalia, Haiti, Bosnia or Iraq.

On Iraq, Mr. Dole said that Saddam Hussein was stronger now than he was two months ago and that nuclear inspection requirements have not been enforced.

"We know they haven't had an inspection since June," Mr. Dole said.

He added that "mission creep" in Somalia changed a humanitarian mission to nation-building, and billions sent to Haiti have not improved conditions there.

"And the Bosnian conflict, for better or worse," he said. "Clinton said he was going to lift the arms embargo, let the people defend themselves. When he got elected he didn't do anything."

"Are the right people going to be in power" after "so-called elections" in Bosnia, Mr. Dole asked, adding that he did not expect the elections last month to change anything.

Asked what the overall strategic aims of American foreign policy should be, Mr. Dole said: "First of all, it's got to be in our interest. Obviously you can't kick every sleeping dog around the world. We can't be the world's police, let's put it that way."

But, he said, when there is a national interest, the United States must make a commitment and follow up on it.

صوتك من الامم



## HEALTH/SCIENCE

# High Rate of 'Cancer Genes' Found in Jewish Women

By Rick Weiss  
Washington Post

**W**ASHINGTON — Two new studies indicate that about one in 100 Jewish women of Eastern European descent, or about four times as many as previously thought, harbor a specific genetic mutation that increases their risk of breast and ovarian cancer.

The unexpectedly high prevalence of the genetic error — and continuing uncertainty about how much added risk the mutation confers — has reignited a debate over whether all Ashkenazi Jewish women should be offered genetic tests that would tell them whether they have

inherited such mutations. About 90 percent of American Jews are Ashkenazi. The gene in question, called BRCA2, is almost never mutated in other ethnic groups and is unrelated to a better studied "breast cancer gene" called BRCA1, which also increases the risk of breast and ovarian cancers. Previous research had found BRCA1 mutations in about 1 percent of Ashkenazi Jews. Since the two mutations are almost never inherited together, the new results indicate that one in 40 Ashkenazi Jewish women harbors one or the other of the potentially deadly genetic glitches.

"We were very much surprised that the actual carrier frequency of this mutation was so much higher than we ex-

pected," said Dr. Kenneth Offit of Memorial Sloan-Kettering Cancer Center in New York, who, along with a New York University geneticist, Dr. Harry Ostrer, led one of the two studies published in the October issue of *Nature Genetics*. "But practically speaking, when one goes into the clinic to counsel women, the value of all this is not so clear."

The problem, Dr. Offit said, is that inherited mutations play a role in only about 10 percent of the nation's 211,000 new cases of breast and ovarian cancer each year. And many women who inherit the mutations will never get either cancer anyway — although no one can predict who will and who won't.

Moreover, there is still no proof that

preventative treatments can significantly reduce a woman's odds of getting inherited breast or ovarian cancer.

At least two commercial laboratories in the United States already offer tests for mutations in BRCA1 and BRCA2, and another is poised to make them available. Test advocates claim that women have the right to know their genetic makeup — especially those in ethnic or family groups known to be at high risk. But other scientists remain opposed, even in the light of the new findings.

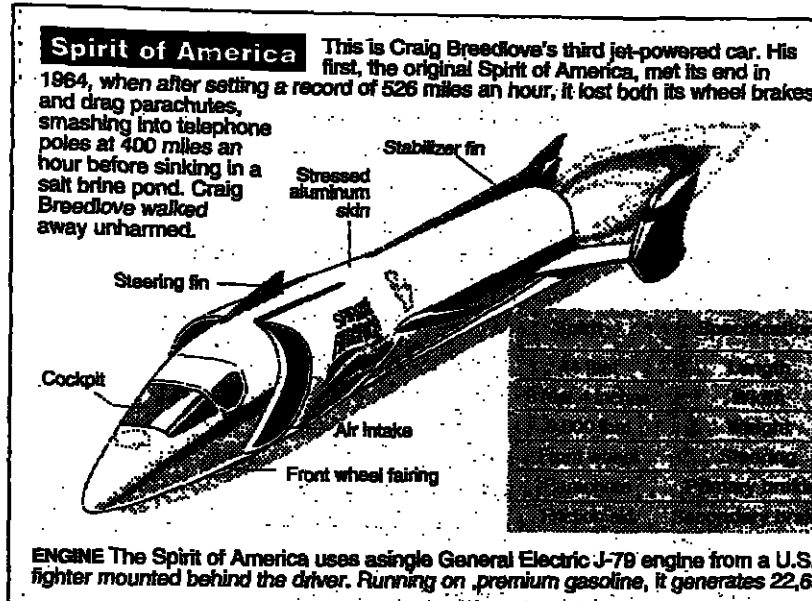
"Should we be offering mutation screening for all women of Jewish origin? My answer is still 'no,'" said Dr. Francis Collins, chief of the National Center for Human Genome Research in

Bethesda, Maryland. "Even if you know they have a risk of breast or ovarian cancer, we'll still be left unclear about what to recommend. We desperately need research studies on medical and counseling interventions and on the psychological consequences of these interventions."

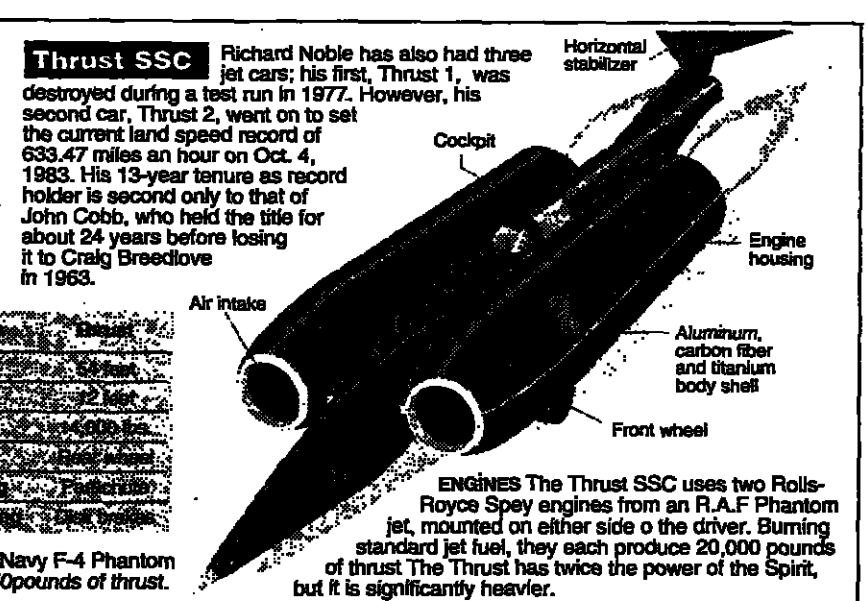
**D**R. Barbara Biesecker, a genetic counselor with the genome center, says that many women are choosing not to know. "Their reasons include concerns about the loss of insurance and feelings they wouldn't change anything they are already doing to prevent getting cancer," she said.

In the New York study, researchers analyzed blood samples from 1,255 Ashkenazi Jews with no family history of breast cancer. Nearly 1 percent of the Jews — but none of 519 non-Jewish participants — carried a BRCA2 mutation. In the second study, led by Dr. Sue Richards at Baylor College of Medicine in Houston, analysis of more than 3,000 blood samples found that about 1.5 percent of Ashkenazi Jews carried a BRCA2 mutation.

Based on the findings, the Baylor group calculated that a 42-year-old woman with the BRCA2 mutation would have a 9-fold added risk of breast cancer, and a woman with the BRCA1 mutation would have a 31-fold added risk.



**Spirit of America** This is Craig Breedlove's third jet-powered car. His first, the original Spirit of America, met its end in a crash and drag parachute, smashing into telephone poles at 400 miles an hour before sinking in a salt brine pond. Craig Breedlove walked away unharmed.



**Thrust SSC** Richard Noble has also had three jet cars; his first, Thrust 1, was destroyed during a test run in 1977. However, his second car, Thrust 2, went on to set the current land speed record of 633.47 miles an hour on Oct. 4, 1983. His 13-year tenure as record holder is second only to that of John Cobb, who held the title for about 24 years before losing it to Craig Breedlove in 1963.

## Ultimate Hot Rods Seek Supersonic Records

By Warren E. Leary  
New York Times Service

**N**EW YORK — Almost a century ago, a Frenchman set the first official speed record with a car when he blazed through a course at nearly 25 miles per hour. Since then, cars have gone 25 times faster and have come close to what many considered the limit to how fast someone could drive on land. Now the last major speed hurdle officially unquarantined by the car — traveling faster than the speed of sound — may soon fall.

Several groups around the world have built or are designing and building jet-powered cars that they say are capable of not only smashing the current land speed record of 633.468 miles (1,020 kilometers) an hour, but also of cracking the sound barrier on the ground.

"It can be done and that's what we are going to do," said Richard Noble, the 50-year-old British sportsman and car enthusiast who has held the land speed record since 1983. Mr. Noble is the leading force behind one of the most prominent contenders in the race, a sleek, twin-jet machine called the Thrust

SSC, which stands for supersonic car. The other major player is Craig Breedlove, 59, the dean of land speed racing who has returned to the sport after gaining international fame by repeatedly smashing records 30 years ago. With a new car bearing the same Spirit of America name of his earlier speedsters, Mr. Breedlove says he wants to bring the speed mark back to the United States and raise the ante past 700 miles an hour. Then, he says, it will be time to aim at the mark of about 760 miles an hour, roughly the speed of sound at sea level.

The unknowns that these cars face are considerable. Cars that accelerate to hundreds of miles an hour in seconds already face tough problems with stability, control and braking. But approaching or reaching supersonic speeds presents a new set of aerodynamic problems that raise risks in areas that are unknown.

No one is sure how supersonic shock waves will affect ground vehicles pressing against the sonic wall. And automobile designers are particularly concerned about how these shock waves will behave in the critical area between the bottom of the car and the ground. If cars traveling at these speeds lift off the ground or veer from their heading by

even a few degrees, the vehicles could tumble or roll uncontrollably, destroying car and driver.

"Reaching supersonic speed on the ground is certainly possible, but the big question comes down to controllability," said Dr. James M. Lucking, director of the transonic-supersonic aerodynamics branch at the Langley Research Center of the National Aeronautics and Space Administration. "Can you control the vehicle as it goes from transonic to sonic speeds?"

**T**HE transonic regime "is inherently messy and always a problem, even for aircraft," Dr. Lucking said. As vehicles pass through the transonic domain, some of the air flowing over surfaces goes supersonic while other flows are still subsonic, causing turbulence, uneven lifting, increased drag and other problems that can throw it out of control. "And when you talk about experiencing these effects really close to the ground, you're getting into an unknown area," Dr. Lucking said. "These guys are going beyond the limits of what we know."

While acknowledging these risks,

both Mr. Breedlove and Mr. Noble say they are confident that their cars, which were designed using very different approaches, can make the high-speed dashes safely.

"You simply can't anticipate everything and there will be unknowns and risks," said Mr. Breedlove. "There is risk associated with anything worthwhile."

Both the Thrust SSC and the Spirit of America, which have taken several years to design and build, began low-speed test runs in the last two weeks. Each car is facing tight deadlines to see if it will be ready for high-speed record runs before early November, when seasonal rains usually render desert raceways useless.

Mr. Breedlove is testing his car, a thin, dart-shaped vehicle painted red, white and blue, at the Bonneville Salt Flats in Utah. After the Bonneville tests, the plan is to take the Spirit of America to the Black Rock Desert in northwestern Nevada, the largest dry lake in North America, which offers an ideal, hard clay race surface. Mr. Noble also plans to take his car to Black Rock after it finishes its early test runs at Farnborough Airport near London and high-speed tests on the al-Jafr Desert in Jordan.

## Now for Good News: Benefits of the Pill

By Jane E. Brody  
New York Times Service

**N**EW YORK — Since birth control pills were introduced in the early 1960s, they have been the subject of thousands of reports on actual and potential hazards. As a result, millions of women harbor a distorted view of the risks that may be involved in taking them and lack an appreciation of their known and potential benefits beyond their undisputed ability to prevent unwanted pregnancies.

Last week the millions of users or former users learned from the most definitive analysis to date that the most feared risk of oral contraception — breast cancer — may have been greatly exaggerated and may, in fact, not even exist.

The analysis encompassed 54 studies involving more than 150,000 women in 25 countries and found no long-term increase in breast cancer risk among pill users. The small increase in breast cancers found among current or recent pill users is believed to reflect greater medical vigilance resulting in a higher detection rate among women on the pill, not a direct effect of the pill on cancer.

Meanwhile, researchers have refined their methods of examining hazards. One major result was the determination that cardiovascular risks associated with the pill almost exclusively involve women over 35 who smoke. Healthy nonsmokers are now advised that they can use the pill until menopause without having to worry about suffering a heart attack or stroke as a result.

**W**ITH these serious concerns abated, it is time to focus on the good that the pill can do. What follows is a summary of the findings of recent medical research.

• **Ovarian and uterine cancer.** Numerous studies have shown that taking the pill for even a few years can reduce a woman's risk of developing cancer of the ovary. Over all, women who have used the pill have about half the risk of those who never used it, and

those who took the pill for 10 or more years have only one-third the risk of developing this cancer. Each successive year of pill use seems to reduce the risk of this cancer by about 8 percent. The pill also protects against cancer of the endometrium, the lining of the uterus.

• **Pelvic inflammatory disease.** This major cause of infertility is less likely to occur in women taking the pill. Use of an intrauterine device, or IUD, can increase the chances of a pelvic infection, but the pill, which causes a thickening of the cervical mucus, seems to make it more difficult for sexually transmitted organisms to invade the pelvic organs.

• **Ectopic pregnancies.** The risk of ectopic pregnancy — a pregnancy that implants in a Fallopian tube instead of the uterus — is reduced by about 90 percent in women on the pill compared with users of other birth control methods.

• **Cysts and fibroids.** Pill use reduces the risk of developing ovarian cysts, which often result in the loss of an ovary. Breast cysts are also less common among pill users. In addition, fibroids — benign growths in the uterus that sometimes necessitate a hysterectomy — are less likely to afflict pill users.

• **Endometriosis.** This is another important cause of infertility that is less common among pill users. Endometriosis is the growth of uterine lining tissue outside the uterus and can cause blockages of the reproductive tract and severe pelvic pain. Since ovulation stimulates the growth of the endometrium, the pill, which blocks ovulation, reduces the likelihood of this disorder.

• **Menstrual bleeding and pain.** Without ovulation, there is less buildup of the uterine lining and less tissue that must be shed during menstruation. The result is commonly much lighter and shorter periods than a woman would otherwise experience. It also often means a reduction in menstrual discomfort.

• **Bone density.** The pill has not been around long enough to know whether it will reduce the risk of osteoporosis in older women, but pill users do seem to have an advantage over nonusers: Their bones tend to be denser.

## Sheer Froth, for Play Days Only

By Suzy Menkes  
International Herald Tribune

**M**ILAN — Transparency may be a political buzzword. But did anyone expect to see this Italian city awash with sheer chiffon dresses and (optional) lace underpanta? Three days into the spring/summer shows, see-through clothes are easier to find than suits.

The wafting dresses in filmy fabrics are decked out with ruffles. Knits are small,



**Prilly, striped wrap dress from Istante by Versace.**

**MILAN FASHION** skinny and often lace. Jackets are beating a retreat. Italian fashion used to be known for its smart summer-in-the-city linen suits — but is anyone planning to work in 1997?

Sort-of-sober black suits with frilled hems opened the Istante show by Gianni Versace. But then it was time-off dressing in bright colors, feminine flower prints, graphic knits and soft raised-waist dresses for Lolitas playing Alice in Wonderland.

The scene was a '90s remix of Swinging London, with projections on the rear walls of palace guards, the Beatles and Princess Diana and, on the soundtrack, Britpop groups like Oasis. On the runway were models with fringed 1960s wigs and the wispy dresses, often wrapped and tied at the back. They came in cherry-printed or flowery fabrics in sherbet colors, with frills at the shoulder straps or scallops at neck and hem.

All the dresses were long and light? No, some were short and sheer. "Very expensive sleepwear," pronounced an American retailer, off the record. Narrow-cut suede coats as cover-ups.

The best of the show was about Versace's confidence with color and print.

from a winged shoulder line. For some designers, girl talk just comes naturally. Anna Molinari has always liked kittenish women in baby colors, lacy knits and roses all the way. Her cute show, Wednesday made the best of the new prettiness with its light fabrics, but she dosed the sweetness of sugared almond pastels with tidy check tailoring or let lace froth out from under a silky jersey dress. A faintly 1920s feel pervaded the show, with barrettes and feathers in the hair, flowered flapper shoes and dainty neckties. Layering was the message for tunic dresses over pants or for the flimsier fabrics that came out for evening and included rose patterns even on underpants.

**S**OME shows are impenetrable. Lawrence Steele, a designer with a streamlined, modern fashion sensibility, opened his with a London financial report, talked Savile Row in his program notes — yet showed colonial white linen skirts to the floor, see-through diaphanous over sequined G-strings and beaded African outfits that were done by Yves Saint Laurent years ago. When Steele got sensible, there were sleek suits in intriguing fabrics and slender jersey dresses in mixes of dusky colors.

Milan's flight from reality was shown when Antonio Fusco buried his signature luxurious jackets under a drift of dresses. Any suits that managed to creep into the show were given an iridescent moonlight sheen, but the tailored pieces were mostly broken up. And dresses made the biggest statement: with horizontal or herringbone stripes, in feminine fabrics like lace or flower print silk; even a wisp of brown chiffon over a G-string. When a fine Italian house deserts its own tailoring tradition, what is a working woman supposed to do?

Still, as Martinez asks, "Why does history have to be a story told by sensible people and not the delicious raving of losers?"

Again and again, we are given facts, rumors and speculation about Evita's life. We are told about her impoverished childhood as the illegitimate daughter of a petty politician and a servant woman in a small farming village, and her move at the age of 15 to Buenos Aires, where she eked out a living as an actress. We learn of her first meeting with Juan Peron, her celebrated reign as the country's first lady, and her agonizing death at the age of 33 from cancer.

We are told that Evita was hailed as a saint and deified as a whore, that she was celebrated for her acts of generosity toward the poor and accused of embezzling money from the nation. We are told that thousands of young girls dyed their hair blond in imitation of Evita, and that 40,000 letters were written to the Pope attesting to miracles she worked.

But Martinez is primarily concerned with Evita's mysterious afterlife — with the legends that came to adhere to her posthumously, and more particularly with the fate of her body, which was embalmed after her death.

According to Martinez, who claims that his story is based on actual interviews and years of research, the military leaders who helped overthrow Juan Peron in 1955 confiscated Evita's corpse because they feared that opposition leaders would use the body to rally their supporters. What's at stake, says one character, is "not the corpse of that woman but the destiny of Argentina."

As Martinez tells it, Evita's corpse (as well as several copies made out of wax, vinyl and fiberglass) soon began a series of peregrinations. The body was hidden in various government buildings, in an ambulance, in an attic and taken

## BOOKS

SANTA EVITA

By Tomas Eloy Martinez.  
Translated by Helen Lane. 371 pages. \$23. Alfred A. Knopf.

**Reviewed by Michiko Kakutani**

**T**HE first thing that occurs to the reader of Tomas Eloy Martinez's new novel, "Santa Evita," is why did it take so long for someone to write an ambitious postmodern novel about Eva Peron? Though Andrew Lloyd Webber and Tim Rice staked a claim on the life of the Argentine strongman Juan Domingo Peron back in 1978 with their musical "Evita," her story, reinvented so many times by rumor and myth, more obviously lends itself to the hallucinatory brand of fiction practiced by writers like Gabriel Garcia Marquez, Mario Vargas Llosa and Augusto Roa Bastos.

The second thing that occurs to the reader of "Santa Evita" is that it's a pity the novel isn't better. Although Martinez's narrative is enlivened by some magical and highly perverse set pieces, though it possesses moments that illuminate the bizarre intersection of history, gossip and legend, the novel as a whole feels leaden and earth-bound. In the end, it gives the reader neither a visceral sense of Evita's life nor an understanding of the powerful hold she has exerted on her country's imagination.

As he did in an earlier novel about Eva Peron's husband ("The Peron Novel," 1988), Martinez — an Argentine writer who is currently director of the Latin American Program at Rutgers University — moves his narrative backward and forward in time, allowing various witnesses to Evita's life to set forth their version of her story. Some of those witnesses — Evita's hairdresser, her mother, various acquaintances and several military intelligence officers — are decidedly unreliable, their tales filled with contradictions.

on a boat to Europe. Each time, Evita's followers would track down the wandering body and shower it with flowers. There were whispers that the body had leaved a Tutanekhamun-like curse on those who disturbed its rest, and rumors, too, that it had been destroyed: dumped in the Atlantic, dissolved in acid or buried standing up in "a garden where it rains every other day."

Some of these scenes have a potent surreal power: Evita's corpse, laid out on a glass slab, suspended from a ceiling, like a levitating wonder, Evita's corpse, hidden in a theater, behind a movie screen that plays and replays the images she loved as a girl.

Unfortunately, the passages between such scenes are too laborious to really sustain the reader's interest.

The word Evita, Martinez observes, comes from the verb "to avoid. To evade. To elude." In the case of this novel, Evita not only manages to elude the machinations of the military officers who longed to dispose of her corpse, but also eludes the imagination of Martinez.

As for Evita's body, it eventually wound up in the custody of her husband, who kept it in an open casket on his dining room table.

Michiko Kakutani is on the staff of The New York Times.

**BRIDGE**

By Alan Truscott

**T**HE diagramed deal was played by Bob Greene and Ruth Brandt, this writer and Jim Krekorian. North-South usually reached four hearts, and the usual lead was

**NORTH (D)**  
♠ 872  
♥ 876  
♦ A K J 3  
♣ 92

**WEST**  
♠ K Q 4 3  
♥ 10 8 4 2  
♦ 10 5 4  
♣ A 7

**EAST**  
♠ J 8 5  
♥ Q  
♦ 9 8 7 2  
♣ Q J 10 8 8

**SOUTH**  
♠ A 10 6  
♥ A K Q J 3  
♦ Q  
♣ K 5 4

North and South were vulnerable.  
The bidding:  
North East South West  
1♣ Pass 1♥ Pass  
2♥ Pass 4♥ Pass  
West led the spade king.

the spade king, won by South with the ace. A possible play was to draw trumps, score three diamond tricks and lead to the club king in the hope of scoring the 10th trick. This plan was tried but failed. It was better to play dia-

monds at once, discarding spades, then make the club play. This fails if the diamonds break badly, but preserves the chance of a club ruff. West wins the club king with the ace and leads a trump, which South wins. West is unable to win the next club lead, but East, on winning, can play his remaining diamond.

This promotes a trump trick for West, but it does not defeat the contract. The position before the diamond lead is this:

**NORTH**  
♠ 87  
♥ 87  
♦ 93  
♣ —

**WEST**  
♠ Q 4 3  
♥ 10 8 4 2  
♦ —  
♣ —

**EAST**  
♠ J 8  
♥ —  
♦ 9 8  
♣ Q J 3

**SOUTH**  
♠ —  
♥ —  
♦ A K Q 3  
♣ 8 5

South ruffs the diamond high and leads a club, with another club lead to follow. West can score the heart ten when he pleases, but South makes four hearts.











# EGYPT: Banking & Capital Markets

## A NEW ECONOMIC CLIMATE BOOSTS FINANCIAL SECTOR

Increased liberalization and an open market economy have strengthened the financial sector.

This July, Egypt's Commercial International Bank launched a global depository receipt. Although it was the first entry into the international market by an Egyptian company, the GDR was oversubscribed four times. It was later increased to yield just under \$120 million, making it the Arab world's largest-ever equity issue. The sale reduces the stake of National Bank of Egypt, Egypt's largest public-sector bank, in CIB, while boosting foreign participation in local bank equity. NBE intends to use its new funds (and others raised from the sale of shares in other joint-venture banks) to undertake a whole series of new investment activities.

Banque Misr, Egypt's second-largest public-sector bank, will also have new funds available as it begins to sell off its shares in the joint-venture banks; these shares include a 56 percent holding in Misr International Bank (MIBank) and 51 percent in Misr Exterior Bank.

As one of the creditors of the government-owned El-Nasr Casting Company, Banque Misr has already benefited from that company's capitalization of its debts in May.

### Profound changes

The whole process would have been unthinkable without the profound changes undergone by Egypt's economy overall in recent years, and it highlights the growing impact of the liberalization process on the banking sector.

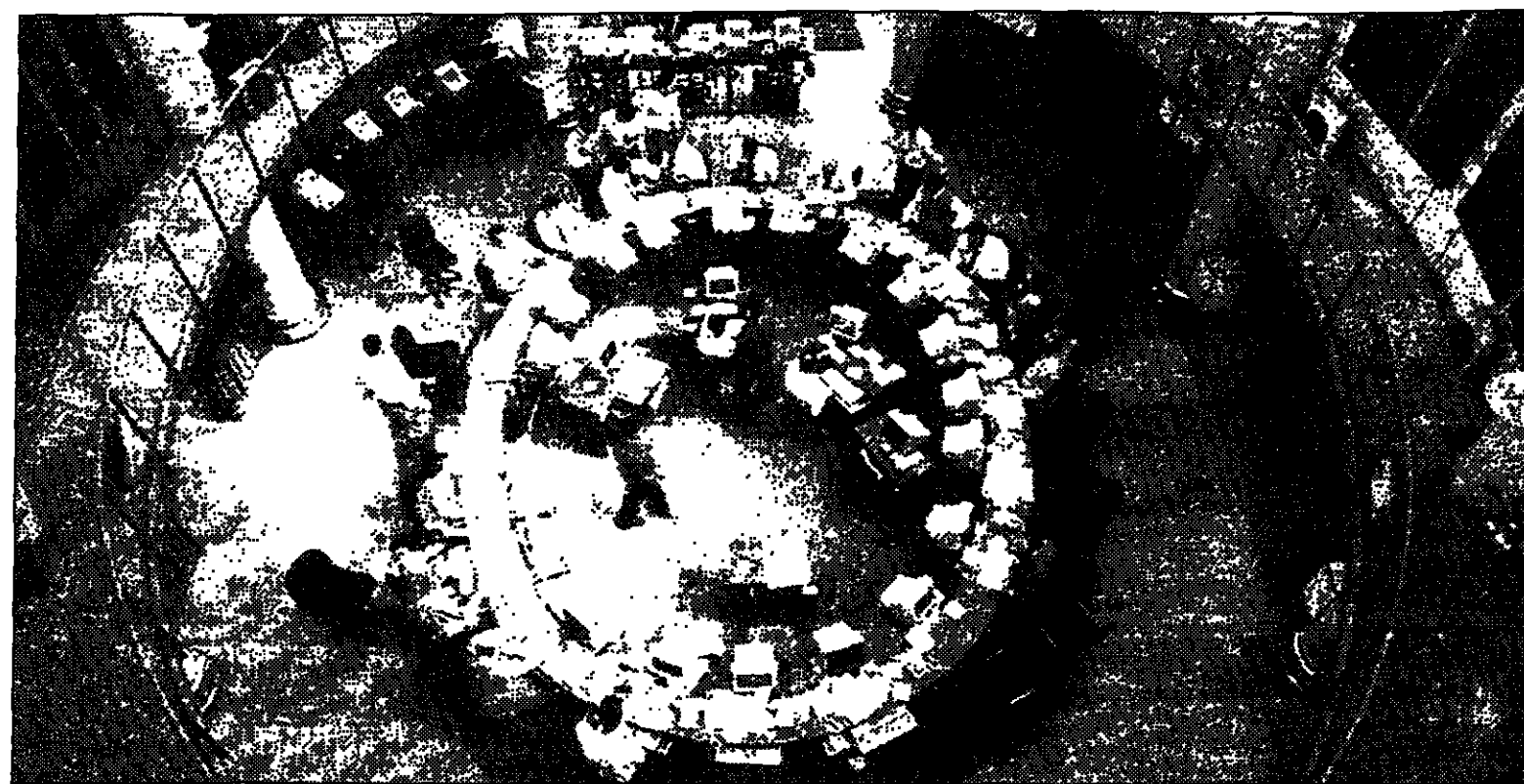
"Banking is the sector that has most benefited from the reforms of the early 1990s, and it is the most open to the market economy and liberalization," says Mohamed Ozalp, managing director of Misr International Bank. "There has been an improvement in services, competition, interest rates and foreign-exchange fees. It is the sector that has moved fastest and furthest."

More changes in the system are likely following legislation allowing foreign banks to own more than 50 percent of the capital of an Egyptian bank and a new requirement that Egypt's public-sector banks reduce their holdings in the joint-venture banks to 20 percent.

Several foreign banks, including Barclays Bank and Société Générale, have announced plans to increase their stakes in their local joint ventures. "For us, it is an important step in changing the mentality and the image of the bank," says one foreign banker. Local investors are also showing interest in the sector, with industrialists buying shares in both the Alexandria Kuwait International Bank and the Egypt Arab African Bank.

### Public-sector banks

An issue still to be settled is the status of the public-sector banks themselves. The four public-sector commercial banks account for 70 percent of total commercial bank as-



Egypt's economy has undergone profound changes in recent years, and further liberalization is in the offing, but many challenges remain. The growing strength of the capital market is affording banks an opportunity to increase non-interest revenues, and the stock exchange is showing new signs of life.

sets, 75 percent of deposits and 80 percent of loans. They have been learning technical skills from the foreign banks, and Egypt's banking sector has undergone a transformation in the past two decades. While the government is steadily reducing its share in Egypt's industrial sector, its dominance of banking seems set to remain. "There has been talk of privatizing the public banks," says one observer, "but it would bring problems and is not likely in the near future."

### A tradition of prudence

Egyptian banks have traditionally been noted for prudence and conservatism, and their activities have been focused on conventional commercial banking. This approach has served Arab International Bank well and is likely to be maintained. The bank, under Chairman Mustafa Khalil, won an EU award in 1995 as the best bank in the Middle East, with profits improving to \$33 million in 1995, up from \$27 million in 1994, it prefers to follow a proven path.

Misr Exterior Bank Chairman Mohammad Nabil Ibrahim sees challenges ahead for the banking system. Mr. Ibrahim is a strong supporter of mergers and acquisitions between banks with similar cultures. "These will provide them with the needed economies of scale to introduce real-time risk monitoring, speedy clearing and settlement oper-

ations, and continuously upgraded banking technology," he asserts. He also sees changes as the capital market continues its strong development and gives the banks the opportunity to boost non-interest revenues through direct investment in the market via portfolio management companies or their own portfolios.

**"Banking is the sector that has most benefited from the reforms of the early 1990s, and it is the most open to the market economy and liberalization," says Mohamed Ozalp, managing director of Misr International Bank.**

### Boost for the bourse

The speed of privatization has brought new life to the Egyptian Stock Exchange. Receipts of privatized shares through the stock market had reached 1.846 billion Egyptian pounds (\$544 million) by mid-July, and the pace of sales has quickened further since then.

Overall levels of activity have risen with market capitalization, which increased 20 percent, to 33 billion Egyptian pounds, by Aug. 31, from 27.42 billion Egyptian pounds at end 1995. Trading volume increased to 830.2 million Egyptian pounds, up from 285 million Egyptian pounds in June and 518.3 million Egyptian pounds in May. Egypt's Capital Market Authority says foreign investment in the stock market grew to 69 percent of total turnover in July, up from 20 percent in June and less than 13 percent in May.

This growth is combined with good macroeconomic figures, including a debt-service to exports ratio of just 14 percent and an external debt to GDP ratio of 60 percent;

the latter is expected to drop to 52 percent by the end of 1996. External debt had declined to 31 billion Egyptian pounds in 1995, from 44 billion Egyptian pounds in 1988. Agreement with the IMF over a new restructuring program opens the way for a further \$4 billion in debt relief from the Paris Club by October.

"There is no doubting the progress in the past three months has been extremely significant," says Mr. Ozalp, "both because the process has become a reality and because major shares are being sold."

### Successful Egypt funds

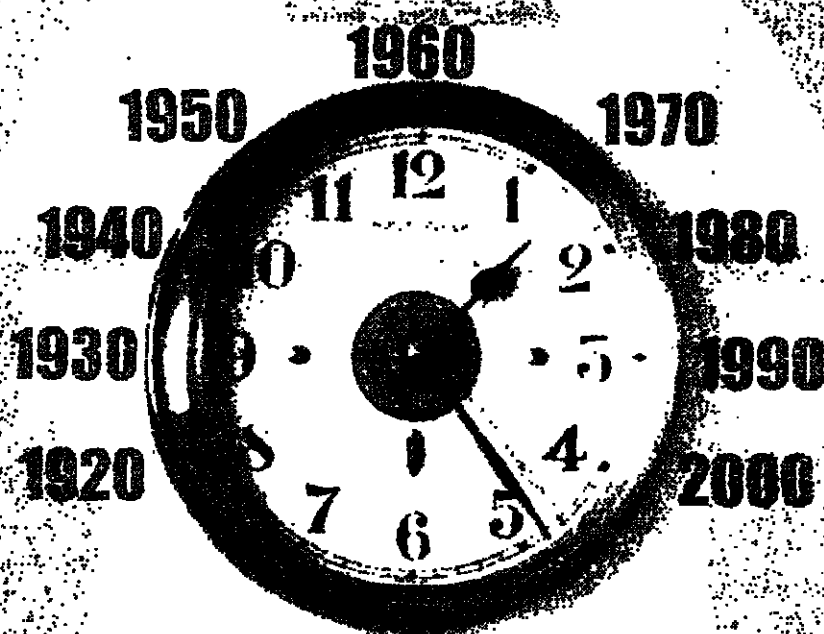
Mr. Ozalp says the success of the three Egypt funds launched internationally in 1996 is a clear sign of the country's growing international reputation. Now the CIB's groundbreaking GDR is already being followed by a second issue, this time by Egypt's third-largest cement producer, the Suez Cement Company.

There are few doubts that it will be equally successful or that, in the new Egyptian economic climate, it will be followed by many more.

Pam Dougherty

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## EXPERIENCE IS MADE OF TIME



Sense of maturity can only be created in due time, and because Banque Misr has a long history of involvement with every aspect of Egypt's economy, our experience in investment opportunities is unequalled.

Today, Egypt is overhauling its economy, towards one goal, quick development. Privatization, reform, restructuring, liberalization make it an ideal spot for overseas investors looking for opportunities in developing markets.

Partnership is the key to success in any business, and Banque Misr is the reliable partner.

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## MIBANK

MISR INTERNATIONAL BANK

Established in 1975  
Issued Capital: U.S. \$ 50 Million  
Paid in Capital: U.S. \$ 30 Million

MIBank is one of the largest joint venture banks in Egypt offering a full range of banking services in both local and foreign currency. With 14 domestic branches and subsidiaries in Germany and Italy, we offer a full range of services including term lending, trade finance, joint venture development, venture capital finance, and investment banking.

### Financial Assets

	1993	1994	1995
Net worth	278.5	334.8	390.6
Deposits	6116.8	6415.5	7239.5
Loans	2138.2	2293.1	2937.8
Total assets	7140.7	7609.0	8515.9
Contingent Accounts	1072.6	1197.5	1361.8

Amounts expressed are in Millions of Egyptian Pounds

### Shareholders

\*Banque Misr  
\*Banca Di Roma International SA  
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\*Europartners Holding  
\*Misr Insurance Company  
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## ARAB INTERNATIONAL BANK



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مركز من الامم



# EGYPT: Banking & Capital Markets

## FINANCIAL SERVICES: PEOPLE AND TECHNOLOGY ARE KEY

Competition spurs banks to offer new products and services.

More sophisticated economy demands more sophisticated services, and Egypt has not been slow in learning the lesson. The past six years have been marked by the steady arrival of new companies ready to serve the demands of a major privatization drive and increasingly complex project financing.

One sign of change is coming from brokerage houses. In June, Egypt's two largest brokerage and corporate finance companies — the Egyptian Financial Group and Hermes Financial — merged their corporate finance and brokerage operations to form EFG Hermes. Ali El Tahry, managing director of EFG Hermes, says the merger was a response to the realization that the two companies were "producing the same research and index and doing the same deals." They now have a 30 percent to 35 percent share of the brokerage market, while their parent companies manage four of Egypt's 11 funds.

"We wanted a company with the depth to provide products and services to an international level," says Mr. El Tahry, "and we needed to achieve a critical

mass in terms of capital, research, sales and trading capacity so we will be able to meet the competition of any international company."

**Fewer but larger**  
The EFG Hermes move is expected to encourage other mergers among

**New companies are arriving to serve the demands of the privatization drive and complex project financing**

Egypt's 100 or so brokerage houses, and there is a general feeling that fewer but larger would be a healthy trend.

Another leading broker, Delta Stockbrokers, has already taken the step with the sale of a 40 percent share to Egyptian American Bank to form EAB Delta Brokerage. The move gives the new company a more solid financial base, says Managing Director Neveen El Tahry. "Through the 30 branches of EAB, we have

also gained a retail network that will enable us to offer better service to clients."

Improvement in other aspects of institutional development are also clear. "There are now 11 local mutual funds handling investments of 1.6 billion Egyptian pounds (\$470 million), while portfolio management companies have a total of 300 million Egyptian pounds," notes Mr. El Tahry. "There are still some gaps. Egypt still lacks the pension funds that would give it a major domestic institutional investor base."

**Coping with change**  
Mohammad Nabil Ibrahim, chairman of Misr Exterior Bank, is forthright in his appraisal of a basic requirement for better financial services. "I do believe that the rate at which banks can successfully introduce technology will be the major determinant not only of their future profitability, but also of their survival," he says. "This implies a review of banking training strategies to enable our bankers to cope with fast-developing financial products."

Mr. El Tahry is confident of a rapid improvement in



More mergers among brokerage houses are expected to improve their competitiveness.

the key area of human resources. The development of Egypt's economy and the opportunities opened up by its liberalization program have begun to attract a growing pool of talented Egyptians back from the

world's financial capitals, he says, and they will have a major role in the introduction of new technology and the development of new services in the coming decade.

P.D.

## PRIVATIZATION: AT LONG LAST, PROGRESS IS UNDER WAY

The private sector takes the lead in Egypt's economy.

Egypt's privatization drive has moved from promise to reality since the appointment of Prime Minister Kamal el-Ganzouri in January. After years of slow progress, Mr. el-Ganzouri's guarantees of progress were met with some skepticism. Now the doubts have gone as shares in an average of one government-owned industrial company per week go to the market, new legislation on banking has been passed and the government steadily widens the range of activities opened to the private sector.

"In 1995, there was talk, studies, intentions. In 1996, we have facts, and we can see material progress on privatization," says Henri Maus de Rolley, chief general manager of National Société Générale Bank, one of Egypt's joint-venture banks.

**Ambitious goals**  
The target set for direct privatization of government assets was ambitious in itself, including more than 100 industrial companies, 37 hotels, 500 branches and outlets belonging to seven consumer-goods trade companies, and the holdings of public-sector banks in the joint-venture banks.

In just one week in August, stakes were offered in four companies. One of the offers closed 55 times oversubscribed, a clear indication that buyers are responding to the new situation. The government has not only held to its commitment to hand over majority ownership in many companies, but it also has gone further than promised, selling more than the 40 percent limit it had set for strategic industries such as flour milling.

It is also managing to come up with a good mixture of direct public sales and the sale of blocks of shares to strategic in-

vestors, who are seen as necessary to strengthen the management capacities of formerly government-run industries.

Privatization has not been limited to the sale of government companies. Key legislation raising the 49 percent foreign-ownership limit for mixed local and foreign joint-venture banks has been passed, and everything from infrastructure to new urban development is now being opened to private investment.

**Strong interest in new power station**  
The Egyptian Electricity Authority kicked off Egypt's entry into the world of BOO/BOT (build-own-operate/build-operate-transfer) activity when it invited expressions of interest in the country's first private power station project in July. The response was striking, with 53 international groups — including most of the international companies already involved in the private power business — answering the call. The EEA is now paring the numbers down to a more manageable size and hopes to award the project by mid-1997.

There is interest both in new power plants and in the success of the new private station. The EEA is keen to retire old facilities and expand domestic capacity. As exploration efforts expand known gas resources, Egypt is also developing ambitions to become a regional energy provider. "It is well placed geographically and has a cheap gas supply," says one European banker, "and it could use the BOT approach for local supply and use gas-fired plants to supply a regional grid."

**Praise for professionalism**  
The EEA has won praise for its professional approach in launching the project, and observers are confident that success in this venture will spawn many more. Egypt has been relying heavily on international donors for major infrastructure projects, but the government is now aware that this source of financing will not last.

Water, roads and airports are all being identified as likely candidates, and legislation allowing private toll roads has now been passed.

Private investors in tourism are already beginning to take over activities normally in the public domain. When the Abu Suma Development Company launched a \$120 million project to develop a 10 million square meter (107.6 million square foot) peninsula on Egypt's Red Sea coast as a tourist resort, work included the master planning and provision of \$50 million in infrastructure ranging from roads to power to water and waste-water systems.

Egypt has no shortage of funds available for private investment. It currently has 150 billion Egyptian pounds (\$44.2 billion) in bank deposits (close to 30 percent of it in foreign exchange), an estimated \$20 billion to \$40 billion in expatriate holdings abroad and a growing body of foreign investors ready to enter the market.

With government policy now clear and the legislation coming into place, there is no reason to doubt that Egypt's transformation into a private sector-led economy is guaranteed.

P.D.

## RENEWED CONFIDENCE IN REVITALIZED CAPITAL MARKETS

Major changes in attitudes toward capital markets and the stock exchange are taking place in Egypt today.

Market capitalization has shot up from \$5 billion in 1990 to about \$30 billion this year as investment and revitalized privatization programs get under way. There are now more than 740 companies (of which only about 60 are active daily) listed on the stock market, with dividend yields and earnings remaining high at around 12 percent.

There is a new belief in the value of capital markets by the new government. There is a new confidence, not just from the man in the street, but also from our own government officials," said Youssef Boutros-Ghali, minister of state for economic follow-up, at a summer investment conference in London organized by Merrill Lynch International and the American Chamber of Commerce in Egypt. Mr. Boutros-Ghali stressed the importance of showing private investors that there is a new market

in which they can participate and that the growth of the market in the past five years proves that it is now working.

**New policies**  
The development of the market in 1996 stems from the government's new policies and a greater liberalization of the investment scene in general. According to Mr. Boutros-Ghali, this is part of the overall economic reform program being carried out by the new government.

There is now a national consensus in Egypt "on where we are going," he added. The government is keeping a close watch on the actions of investors in the capital market, the credit markets (including foreign-exchange dealings) and the stock market. "Any uncertainty in our policies will be reflected in these markets," said Mr. Boutros-Ghali.

He added that the government has

to be very careful in any market regulations "so that we do not impinge on their operation." The government has redefined economic security and is helping to establish a new transparency in macroeconomic policies to avoid market surprises such as those that occurred in Mexico.

Satisfactory control of the markets and their operation means that the rules have to be enforced. Part of the program is the revision of contract law, which is the responsibility of the Ministry of Justice.

**Playing by the rules**  
If Egypt is to become a player in the global economy, it has to abide by established norms of behavior in the marketplace "and be seen to be doing so," according to Mr. Boutros-Ghali.

That this is beginning to take effect is reflected in investment activity and the number of investors: the lat-

ter rose from 140,000 in mid-1994 to 370,000 (including 180,000 investors in new mutual funds) in the middle of 1995. Between 1993, when the stock exchange saw a renaissance of activity, and mid-1994, it grew by 31 percent, making it one of the fastest-growing emerging markets in the world.

Although activity fell off, increased buying by foreign investors now accounts for 35-40 percent of daily trading volume, according to Khalil Nougaim, managing director of Cairo Funds Management/Cairo Capital Group. "Egyptian investors have recently been sitting on the sidelines," he says, "awaiting new privatizations, which they expect will offer them attractive rates. At the same time, Egyptian and foreign-based funds are being formed to invest in new issues, and there is a large volume of savings to be tapped both within and outside Egypt."

The government is committed to a major privatization program, in which the public will be offered 40 percent of shares in 16 industrial companies, majority shares in an additional 41 companies and 100 percent shares in 14 other plants.

"We expect to see \$1 billion worth of privatizations by the end of the year," Mohamed Taymour, chairman of the Egyptian Financial Group, said at the conference. He was extremely bullish about inward investment in the privatization program and other public offerings. By the first half of the year, 63 new companies were launched, attracting \$940 million in investment, much of it from overseas.

"The push for investment is coming from foreign institutional investors, while our local investors are still testing the market," Mr. Taymour said.

Michael Frenchman



### National Bank of Egypt Proven Competence in a Changing World

- Evaluating enterprises scheduled for privatization.
- Identifying and promoting investment opportunities.
- Acting as underwriters for initial public offerings.
- Concluding sub-custodian agreements worldwide.
- Establishing mutual funds to manage customers' investments.
- Establishing brokerage, clearing, venture capital, and risk rating companies.
- Providing GDR transactions (we started recently launching the first one of over \$ 120 mn. of our largest private).
- Playing the role of...
- Securitization.



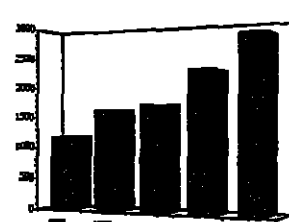
Head Office: National Bank of Egypt Tower 1101 Corniche El Nile, Cairo.  
P.O. Box 1611 Tel: 5742411 Fax: 762072 Telex: 20045 NBE UN

### ALL BANKS PROMISE, MOST CAN FULFIL BUT, ONLY FEW DO EXCEL !

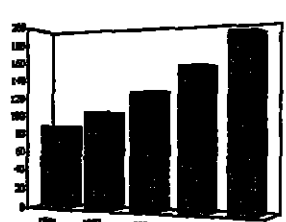


#### THE FRIENDLY BANK

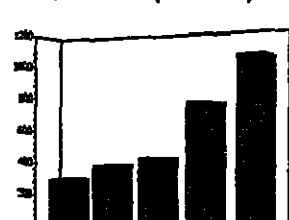
Total Assets (Million LE)



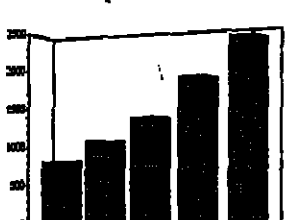
Shareholders Equity (Million LE)



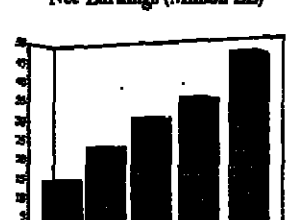
Total Loans (Million LE)



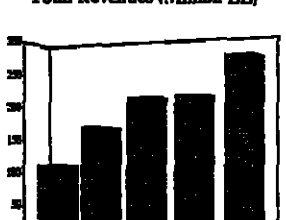
Total Deposits (Million LE)



Net Earnings (Million LE)



Total Revenues (Million LE)



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سوق من الامم

## EUROPE

# Analysts Applaud ABN-AMRO's Desire To Sell MeesPierson

Compiled by Our Staff From Dispatches

AMSTERDAM — ABN-AMRO Holding NV said Wednesday it was holding talks on selling its merchant-banking unit, MeesPierson NV, a move that analysts said would reduce in-house competition at the Netherlands' biggest banking company.

ABN-AMRO said it had been approached by "a number of parties" and was talking with "one or more," MeesPierson, which has shareholder equity of 1.75 billion guilders (\$1.02 billion) and 4,000 employees, specializes in asset management for wealthy individuals as well as trade and commodity finance. The company is also a prominent adviser on mergers in the Netherlands.

Analysts' estimates of the selling price ranged from 2.00 billion guilders to 2.50 billion guilders.

ABN-AMRO's wish to sell MeesPierson is logical, analysts said, as the parent company has made great strides in international investment banking in the past few years and MeesPierson has not performed as well as expected.

Some of MeesPierson's business has overlapped that of ABN-AMRO and its British investment-banking arm, ABN-AMRO Hoare Govett.

"It will be better for both of them if they sell the MeesPierson interest," said Oscar Dier, an analyst with Bank Bangert-Pontier. "The returns are low because they are overlapping."

ABN-AMRO shares rose 2.40 guilders to close at \$6.80.

ABN-AMRO has expanded its

investment-banking operations to the point where they accounted for 21 percent of the company's 3.5 billion guilders in revenue in 1995. MeesPierson's return on equity, however, was only 9 percent in the latest reporting period, far below that of ABN-AMRO, analysts said.

Rabobank Nederland, a cooperative bank with strong roots in agriculture, is so far the only financial institution to have openly expressed interest.

"MeesPierson has an entrance to market segments where we are not strongly represented," said Jan van Schaik, a spokesman for Rabobank. The insurer Aegon NV and Generale de Banque SA of Belgium, two other potential buyers mentioned in Dutch newspapers, said they had no interest in MeesPierson.

"We have just bought Credit Lyonnais Netherlands and this doesn't currently fit in with our interests," a spokesman for Generale de Banque said. Some analysts said the financial-services company Fortis was a likely buyer. A spokesman for the Belgian-Dutch concern refused to say whether it was interested.

ABN-AMRO, which had 546 billion guilders in total assets at the end of 1995, has snapped up a string of companies in the past few months.

Last week, the company bought Causeway Group Ltd., a British fund manager with \$300 million (\$469.3 million) under management. On Monday, it bought another British fund manager, Carrington Pembroke. (Bloomberg/Reuters)

# Small Cars Cut Into Spotlight

## Fuel-Efficient Models Gain Attention at Paris Show

Compiled by Our Staff From Dispatches

PARIS — They are so small they make a pickup truck look like an aircraft carrier, but some get 85 miles to the gallon (36 kilometers per liter) or more.

Subcompact cars are a spirited sideshow at this week's Paris auto show, where the biggest crowds still fall over the latest minivans and muscle cars.

Environmentalists and consumer advocates contend there is a conspiracy to keep proven fuel-savers off the market. But automakers dismiss that argument, saying it's just that most people value safety, comfort and style over savings on fuel.

"Every manufacturer can make such a car," said Jean-Marc Lepen, director of governmental affairs for the French carmaker Renault. "The problem is to make one that meets all the regulations and that is durable and affordable."

The objective, he said, "is to make cars that the public will buy." Ford Motor Co.'s chairman, Alex Trotman, said the U.S. company was studying the possibility of building a car even lighter and less expensive than its new Ka minicar for the Indian and Chinese markets.

"It would have a cost and weight below the Fiesta and Ka, but we haven't taken a decision to proceed with a major investment," Mr. Trotman said.

On Tuesday, Chrysler Corp. announced a \$500 million small-engine venture with Bayerische Motoren Werke AG in South America.

Building small cars makes sense in most European countries. Gasoline costs more than \$5.50 a gallon in France, diesel fuel is nearly \$4 a gallon, and prices in much of the rest of Europe are similar.

Renault's Twingo, a two-door subcompact, goes roughly 48

miles on one gallon. But the environmental group Greenpeace says Renault and other automakers could mass-produce cars that would use even less fuel and run more cleanly.

(AP, Bloomberg, Reuters)

## South Korea Criticized

European automakers said South Korea had failed to open its home market to competition from imports even as its domestic companies were seeking more business abroad, Bloomberg Business News reported.

Jacques Calvet, chairman of the European Automobile Manufacturers Association, did not say what action the association might take in response. South Korean carmakers such as Daewoo Corp. and Hyundai Corp. have been making inroads into Europe, where about 13 million cars will be sold this year.

# GM Breaks Ground on Poland Auto Plant

Reuters

GLIWICE, Poland — General Motors Corp. began construction Wednesday on a \$308 million automotive plant in Poland, in a move to gain a foothold in the country's car market.

The plant, which will assemble 72,000 passenger cars a year starting in 1998, will be managed by GM's German subsidiary, Adam Opel AG.

"This venture goes beyond a simple investment," said David Herman, president of Adam Opel.

"It is a long-term commitment to the future of the region and Poland."

GM decided to go through with the project in Poland after it lost a race with Daewoo Corp. of South Korea last year to take over the state-owned Fabryka Samochodow Osobowych car plant.

The ground-breaking ceremony in the Silesian city of Gliwice was attended by Foreign Minister Klaus Kinkel of Germany and President Aleksander Kwasniewski of Poland, who said the investment was further proof of the rapidly grow-

ing Polish economy's progress in integration with Western Europe. Since 1990, the year after the fall of communism in Eastern Europe, foreign investment in Poland has totaled \$10.2 billion.

The Gliwice factory, employing 2,000 people in an area threatened with massive layoffs in an ailing mining industry, will resemble Opel's state-of-the-art assembly plant in Eisenach, Germany. It will assemble a low-cost family car based on the Opel/Vauxhall Astra model.

# Eurotunnel Deal With Banks Includes Debt-Equity Swap

Compiled by Our Staff From Dispatches

PARIS — Eurotunnel has agreed to convert part of its 70 billion francs (\$13.56 billion) of debt into equity and to issue convertible bonds, according to sources with knowledge of the British-French tunnel operator's accord with its 225 creditor banks.

Other elements of the agreement could include stock warrants, variable-rate bonds, loans convertible into equity and "stabilization notes," which repay debt from a percentage of the cash flow, the French newspaper

La Tribune Dessefres reported Wednesday.

The company confirmed Wednesday that a basic accord had been reached with banks Tuesday and would be made public after Eurotunnel's board and a group of "instructing banks" approved the plan.

But the accord still needs approval by all Eurotunnel's bank lenders and a qualified two-thirds of its 750,000 shareholders.

Eurotunnel, operator of the Channel Tunnel between Britain and France, froze payments on its debt in September 1995 when it said it could

not cope with the loans and cost overruns incurred during construction of the tunnel.

The company said its shares, which were suspended from trading Monday on the Brussels, Paris and London exchanges, could resume trading by next Tuesday.

Jean-Pierre Mattei, the president of the Paris Commercial Court who has handled the case since last year, said that in the negotiations he was motivated by considerations of "fairness" to the shareholders and by the sheer scale of the financial and legal complications

that would follow if Eurotunnel failed.

"The scale of Eurotunnel is such that a failure, with its 70 billion francs' debt, an international treaty, two courts involved — London and Paris — would have meant a legal and financial imbroglio without precedent," he said.

"I do not believe one can or should abandon on the roadside 750,000 shareholders who placed their confidence in the banks and in a European project as extraordinary as Eurotunnel." (Reuters, Bloomberg)

## WORLD STOCK MARKETS

Wednesday, Oct. 2  
Prices in local currencies.  
Telefax

High Low Close Prev.

Amsterdam

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GERMANY

The 1,000 most-traded National Market securities in terms of dollar value, updated twice a year.  
*The Associated Press*

Company	12-Month		Div	Yld	PE	52 Wk				
	High	Low				High	Low	Latest	Open	
A&P	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
AA	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
AAI	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
AAO	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
AAU	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
AAV	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
AAW	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
AAZ	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ABC	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ABD	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ABE	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ABF	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ABG	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ABH	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ABI	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ABJ	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ABK	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ABL	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ABM	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ABN	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ABO	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ABP	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ABQ	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ABR	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ABS	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ABT	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ABU	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ABV	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ABW	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ABX	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ABY	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ABZ	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ACA	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ACB	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ACC	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ACD	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ACE	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ACF	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ACG	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ACH	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ACI	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ACJ	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ACK	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ACL	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ACM	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ACN	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ACO	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ACP	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ACQ	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ACR	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ACS	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ACT	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ACU	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ACV	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ACW	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ACX	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ACY	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ACZ	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ADA	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ADB	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ADC	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ADD	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ADE	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ADF	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ADG	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ADH	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ADI	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ADJ	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ADK	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ADL	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ADM	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ADN	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ADO	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ADP	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ADQ	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ADR	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ADS	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ADT	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ADU	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ADV	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ADW	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ADX	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ADY	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
ADZ	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
AEA	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
AEB	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
AEC	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
AED	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
AEE	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
AEF	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
AEG	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
AEH	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
AEI	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
A EJ	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
A EK	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
A EL	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
A EM	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
A EN	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
A EO	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
A EP	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
A EQ	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
A ER	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
A ES	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
A ET	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
A EU	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
A EV	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
A EW	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
A EX	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
A EY	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
A EZ	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
A FA	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
A FB	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
A FC	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
A FD	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
A FE	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
A FF	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
A FG	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
A FH	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
A FI	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
A FJ	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
A FK	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
A FL	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
A FM	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
A FN	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
A FO	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
A FP	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
A FQ	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
A FR	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
A FS	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
A FT	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
A FU	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
A FV	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
A FW	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
A FX	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
A FY	25.00	24.00		2.50	15	25.00	24.00	24.00	24.00	
A FZ	25.00	24.00		2.50	15	25.00	24.00</			

Month	Day	YTD	52 Wk	High	Low	Open	Close
Jan	1	1.00	1.00	1.00	1.00	1.00	1.00
Jan	2	1.00	1.00	1.00	1.00	1.00	1.00
Jan	3	1.00	1.00	1.00	1.00	1.00	1.00
Jan	4	1.00	1.00	1.00	1.00	1.00	1.00
Jan	5	1.00	1.00	1.00	1.00	1.00	1.00
Jan	6	1.00	1.00	1.00	1.00	1.00	1.00
Jan	7	1.00	1.00	1.00	1.00	1.00	1.00
Jan	8	1.00	1.00	1.00	1.00	1.00	1.00
Jan	9	1.00	1.00	1.00	1.00	1.00	1.00
Jan	10	1.00	1.00	1.00	1.00	1.00	1.00
Jan	11	1.00	1.00	1.00	1.00	1.00	1.00
Jan	12	1.00	1.00	1.00	1.00	1.00	1.00
Jan	13	1.00	1.00	1.00	1.00	1.00	1.00
Jan	14	1.00	1.00	1.00	1.00	1.00	1.00
Jan	15	1.00	1.00	1.00	1.00	1.00	1.00
Jan	16	1.00	1.00	1.00	1.00	1.00	1.00
Jan	17	1.00	1.00	1.00	1.00	1.00	1.00
Jan	18	1.00	1.00	1.00	1.00	1.00	1.00
Jan	19	1.00	1.00	1.00	1.00	1.00	1.00
Jan	20	1.00	1.00	1.00	1.00	1.00	1.00
Jan	21	1.00	1.00	1.00	1.00	1.00	1.00
Jan	22	1.00	1.00	1.00	1.00	1.00	1.00
Jan	23	1.00	1.00	1.00	1.00	1.00	1.00
Jan	24	1.00	1.00	1.00	1.00	1.00	1.00
Jan	25	1.00	1.00	1.00	1.00	1.00	1.00
Jan	26	1.00	1.00	1.00	1.00	1.00	1.00
Jan	27	1.00	1.00	1.00	1.00	1.00	1.00
Jan	28	1.00	1.00	1.00	1.00	1.00	1.00
Jan	29	1.00	1.00	1.00	1.00	1.00	1.00
Jan	30	1.00	1.00	1.00	1.00	1.00	1.00
Jan	31	1.00	1.00	1.00	1.00	1.00	1.00
Feb	1	1.00	1.00	1.00	1.00	1.00	1.00
Feb	2	1.00	1.00	1.00	1.00	1.00	1.00
Feb	3	1.00	1.00	1.00	1.00	1.00	1.00
Feb	4	1.00	1.00	1.00	1.00	1.00	1.00
Feb	5	1.00	1.00	1.00	1.00	1.00	1.00
Feb	6	1.00	1.00	1.00	1.00	1.00	1.00
Feb	7	1.00	1.00	1.00	1.00	1.00	1.00
Feb	8	1.00	1.00	1.00	1.00	1.00	1.00
Feb	9	1.00	1.00	1.00	1.00	1.00	1.00
Feb	10	1.00	1.00	1.00	1.00	1.00	1.00
Feb	11	1.00	1.00	1.00	1.00	1.00	1.00
Feb	12	1.00	1.00	1.00	1.00	1.00	1.00
Feb	13	1.00	1.00	1.00	1.00	1.00	1.00
Feb	14	1.00	1.00	1.00	1.00	1.00	1.00
Feb	15	1.00	1.00	1.00	1.00	1.00	1.00
Feb	16	1.00	1.00	1.00	1.00	1.00	1.00
Feb	17	1.00	1.00	1.00	1.00	1.00	1.00
Feb	18	1.00	1.00	1.00	1.00	1.00	1.00
Feb	19	1.00	1.00	1.00	1.00	1.00	1.00
Feb	20	1.00	1.00	1.00	1.00	1.00	1.00
Feb	21	1.00	1.00	1.00	1.00	1.00	1.00
Feb	22	1.00	1.00	1.00	1.00	1.00	1.00
Feb	23	1.00	1.00	1.00	1.00	1.00	1.00
Feb	24	1.00	1.00	1.00	1.00	1.00	1.00
Feb	25	1.00	1.00	1.00	1.00	1.00	1.00
Feb	26	1.00	1.00	1.00	1.00	1.00	1.00
Feb	27	1.00	1.00	1.00	1.00	1.00	1.00
Feb	28	1.00	1.00	1.00	1.00	1.00	1.00
Feb	29	1.00	1.00	1.00	1.00	1.00	1.00
Feb	30	1.00	1.00	1.00	1.00	1.00	1.00
Feb	31	1.00	1.00	1.00	1.00	1.00	1.00
Mar	1	1.00	1.00	1.00	1.00	1.00	1.00
Mar	2	1.00	1.00	1.00	1.00	1.00	1.00
Mar	3	1.00	1.00	1.00	1.00	1.00	1.00
Mar	4	1.00	1.00	1.00	1.00	1.00	1.00
Mar	5	1.00	1.00	1.00	1.00	1.00	1.00
Mar	6	1.00	1.00	1.00	1.00	1.00	1.00
Mar	7	1.00	1.00	1.00	1.00	1.00	1.00
Mar	8	1.00	1.00	1.00	1.00	1.00	1.00
Mar	9	1.00	1.00	1.00	1.00	1.00	1.00
Mar	10	1.00	1.00	1.00	1.00	1.00	1.00
Mar	11	1.00	1.00	1.00	1.00	1.00	1.00
Mar	12	1.00	1.00	1.00	1.00	1.00	1.00
Mar	13	1.00	1.00	1.00	1.00	1.00	1.00
Mar	14	1.00	1.00	1.00	1.00	1.00	1.00
Mar	15	1.00	1.00	1.00	1.00	1.00	1.00
Mar	16	1.00	1.00	1.00	1.00	1.00	1.00
Mar	17	1.00	1.00	1.00	1.00	1.00	1.00
Mar	18	1.00	1.00	1.00	1.00	1.00	1.00
Mar	19	1.00	1.00	1.00	1.00	1.00	1.00
Mar	20	1.00	1.00	1.00	1.00	1.00	1.00
Mar	21	1.00	1.00	1.00	1.00	1.00	1.00
Mar	22	1.00	1.00	1.00	1.00	1.00	1.00
Mar	23	1.00	1.00	1.00	1.00	1.00	1.00
Mar	24	1.00	1.00	1.00	1.00	1.00	1.00
Mar	25	1.00	1.00	1.00	1.00	1.00	1.00
Mar	26	1.00	1.00	1.00	1.00	1.00	1.00
Mar	27	1.00	1.00	1.00	1.00	1.00	1.00
Mar	28	1.00	1.00	1.00	1.00	1.00	1.00
Mar	29	1.00	1.00	1.00	1.00	1.00	1.00
Mar	30	1.00	1.00	1.00	1.00	1.00	1.00
Mar	31	1.00	1.00	1.00	1.00	1.00	1.00
Apr	1	1.00	1.00	1.00	1.00	1.00	1.00
Apr	2	1.00	1.00	1.00	1.00	1.00	1.00
Apr	3	1.00	1.00	1.00	1.00	1.00	1.00
Apr	4	1.00	1.00	1.00	1.00	1.00	1.00
Apr	5	1.00	1.00	1.00	1.00	1.00	1.00
Apr	6	1.00	1.00	1.00	1.00	1.00	1.00
Apr	7	1.00	1.00	1.00	1.00	1.00	1.00
Apr	8	1.00	1.00	1.00	1.00	1.00	1.00
Apr	9	1.00	1.00	1.00	1.00	1.00	1.00
Apr	10	1.00	1.00	1.00	1.00	1.00	1.00
Apr	11	1.00	1.00	1.00	1.00	1.00	1.00
Apr	12	1.00	1.00	1.00	1.00	1.00	1.00
Apr	13	1.00	1.00	1.00	1.00	1.00	1.00
Apr	14	1.00	1.00	1.00	1.00	1.00	1.00
Apr	15	1.00	1.00	1.00	1.00	1.00	1.00
Apr	16	1.00	1.00	1.00	1.00	1.00	1.00
Apr	17	1.00	1.00	1.00	1.00	1.00	1.00
Apr	18	1.00	1.00	1.00	1.00	1.00	1.00
Apr	19	1.00	1.00	1.00	1.00	1.00	1.00
Apr	20	1.00	1.00	1.00	1.00	1.00	1.00
Apr	21	1.00	1.00	1.00	1.00	1.00	1.00
Apr	22	1.00	1.00	1.00	1.00	1.00	1.00
Apr	23	1.00	1.00	1.00	1.00	1.00	1.00
Apr	24	1.00	1.00	1.00	1.00	1.00	1.00
Apr	25	1.00	1.00	1.00	1.00	1.00	1.00
Apr	26	1.00	1.00	1.00	1.00	1.00	1.00
Apr	27	1.00	1.00	1.00	1.00	1.00	1.00
Apr	28	1.00	1.00	1.00	1.00	1.00	1.00
Apr	29	1.00	1.00	1.00	1.00	1.00	1.00
Apr	30	1.00	1.00	1.00	1.00	1.00	1.00
Apr	31	1.00	1.00	1.00	1.00	1.00	1.00
May	1	1.00	1.00	1.00	1.00	1.00	1.00
May	2	1.00	1.00	1.00	1.00	1.00	1.00
May	3	1.00	1.00	1.00	1.00	1.00	1.00
May	4	1.00	1.00	1.00	1.00	1.00	1.00
May	5	1.00	1.00	1.00	1.00	1.00	1.00
May	6	1.00	1.00	1.00	1.00	1.00	1.00
May	7	1.00	1.00	1.00	1.00	1.00	1.00
May	8	1.00	1.00	1.00	1.00	1.00	1.00
May	9	1.00	1.00	1.00	1.00	1.00	1.00
May	10	1.00	1.00	1.00	1.00	1.00	1.00
May	11	1.00	1.00	1.00	1.00	1.00	1.00
May	12	1.00	1.00	1.00	1.00	1.00	1.00
May	13	1.00	1.00	1.00	1.00	1.00	1.00
May	14	1.00	1.00	1.00	1.00	1.00	1.00
May	15	1.00	1.00	1.00	1.00	1.00	1.00
May	16	1.00	1.00	1.00	1.00	1.00	1.00
May	17	1.00	1.00	1.00	1.00	1.00	1.00
May	18	1.00	1.00	1.00	1.00	1.00	1.00
May	19	1.00	1.00	1.00	1.00	1.00	1.00
May	20	1.00	1.00	1.00	1.00	1.00	1.00
May	21	1.00	1.00	1.00	1.00	1.00	1.00
May	22	1.00	1.00	1.00	1.00	1.00	1.00
May	23	1.00	1.00	1.00	1.00	1.00	1.00
May	24	1.00	1.00	1.00	1.00	1.00	1.00
May	25	1.00	1.00	1.00	1.00	1.00	1.00
May	26	1.00	1.00	1.00	1.00	1.00	1.00
May	27	1.00	1.00	1.00	1.00	1.00	1.00
May	28	1.00	1.00	1.00	1.00	1.00	1.00
May	29	1.00	1.00	1.00	1.00	1.00	1.00
May	30	1.00	1.00	1.00	1.00	1.00	1.00
May	31	1.00	1.00	1.00	1.00	1.00	1.00
Jun	1	1.00	1.00	1.00	1.00	1.00	1.00
Jun	2	1.00	1.00	1.00	1.00	1.00	1.00
Jun	3	1.00	1.00	1.00	1.00	1.00	1.00
Jun	4	1.00	1.00	1.00	1.00	1.00	1.00
Jun	5	1.00	1.00	1.00	1.00	1.00	1.00
Jun	6	1.00	1.00	1.00	1.00	1.00	1.00
Jun	7	1.00	1.00	1.00	1.00	1.00	1.00
Jun	8	1.00	1.00	1.00	1.00	1.00	1.00
Jun	9	1.00	1.00	1.00	1.00	1.00	1.00
Jun	10	1.00	1.00	1.00	1.00	1.00	1.00
Jun	11	1.00	1.00	1.00	1.00	1.00	1.00
Jun	12	1.00	1.00	1.00	1.00	1.00	1.00
Jun	13	1.00	1.00	1.00	1.00	1.00	1.00
Jun	14	1.00	1.00	1.00	1.00	1.00	1.00
Jun	15	1.00	1.00	1.00	1.00	1.00	1.00
Jun	16	1.00	1.00	1.00	1.00	1.00	1.00
Jun	17	1.00	1.00	1.00	1.00	1.00	1.00
Jun	18	1.00	1.00	1.00	1.00	1.00	1.00
Jun	19	1.00	1.00	1.00	1.00	1.00	1.00
Jun	20	1.00					

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**Wednesday's 4 p.m. Close**  
(Continued)

Low Stock		Low Inven		On		Vid		PE		17		1719		40		44		45		46		47		48		49		50		51		52		53		54		55		56		57		58		59		60		61		62		63		64		65		66		67		68		69		70		71		72		73		74		75		76		77		78		79		80		81		82		83		84		85		86		87		88		89		90		91		92		93		94		95		96		97		98		99		100		101		102		103		104		105		106		107		108		109		110		111		112		113		114		115		116		117		118		119		120		121		122		123		124		125		126		127		128		129		130		131		132		133		134		135		136		137		138		139		140		141		142		143		144		145		146		147		148		149		150		151		152		153		154		155		156		157		158		159		160		161		162		163		164		165		166		167		168		169		170		171		172		173		174		175		176		177		178		179		180		181		182		183		184		185		186		187		188		189		190		191		192		193		194		195		196		197		198		199		200		201		202		203		204		205		206		207		208		209		210		211		212		213		214		215		216		217		218		219		220		221		222		223		224		225		226		227		228		229		230		231		232		233		234		235		236		237		238		239		240		241		242		243		244		245		246		247		248		249		250		251		252		253		254		255		256		257		258		259		260		261		262		263		264		265		266		267		268		269		270		271		272		273		274		275		276		277		278		279		280		281		282		283		284		285		286		287		288		289		290		291		292		293		294		295		296		297		298		299		300		301		302		303		304		305		306		307		308		309		310		311		312		313		314		315		316		317		318		319		320		321		322		323		324		325		326		327		328		329		330		331		332		333		334		335		336		337		338		339		340		341		342		343		344		345		346		347		348		349		350		351		352		353		354		355		356		357		358		359		360		361		362		363		364		365		366		367		368		369		370		371		372		373		374		375		376		377		378		379		380	
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1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100

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1. The first part of the document is a header section containing the following information:
   
 a. Title: "Report on the activities of the Department of the Interior during the year 1900."
   
 b. Author: "J. H. Smith, Secretary of the Department."
   
 c. Date: "January 1, 1901."
   
 2. The second part of the document is a table of contents, listing the following sections:
   
 a. Introduction.
   
 b. General Administration.
   
 c. Land Management.
   
 d. Mineral Resources.
   
 e. Indian Affairs.
   
 f. Forestry.
   
 g. Geology.
   
 h. Miscellaneous.
   
 3. The third part of the document is the main body of the report, which is divided into the following sections:
   
 a. Introduction: This section provides a general overview of the Department's activities during the year 1900.
   
 b. General Administration: This section discusses the Department's organizational structure, personnel, and financial operations.
   
 c. Land Management: This section details the Department's efforts to manage public lands, including land acquisition, disposal, and conservation.
   
 d. Mineral Resources: This section describes the Department's work in exploring for and managing mineral resources, such as coal, oil, and precious metals.
   
 e. Indian Affairs: This section reports on the Department's activities related to the management of Indian lands and the welfare of Native American populations.
   
 f. Forestry: This section discusses the Department's efforts to manage and conserve the nation's forest resources.
   
 g. Geology: This section describes the Department's work in conducting geological surveys and research.
   
 h. Miscellaneous: This section contains various other reports and information related to the Department's activities.

## ELN BUILDS THE FUTURE

صبرنا من الاجل



# GERMANY

## A COUNTRY IN TRANSITION

The signs are clear and unmistakable. The German economy is beginning to make a strong recovery from its brief downturn. This is good news for Germany's 82 million citizens — and, in view of this economy's central importance, for all of Europe.

Even more important than the uplifting statistics are the fundamental changes being instituted throughout the country, in virtually every area of economic life. They reflect a Germany based on speed — speed in anticipating changes on world markets as well as in entering new areas of business.

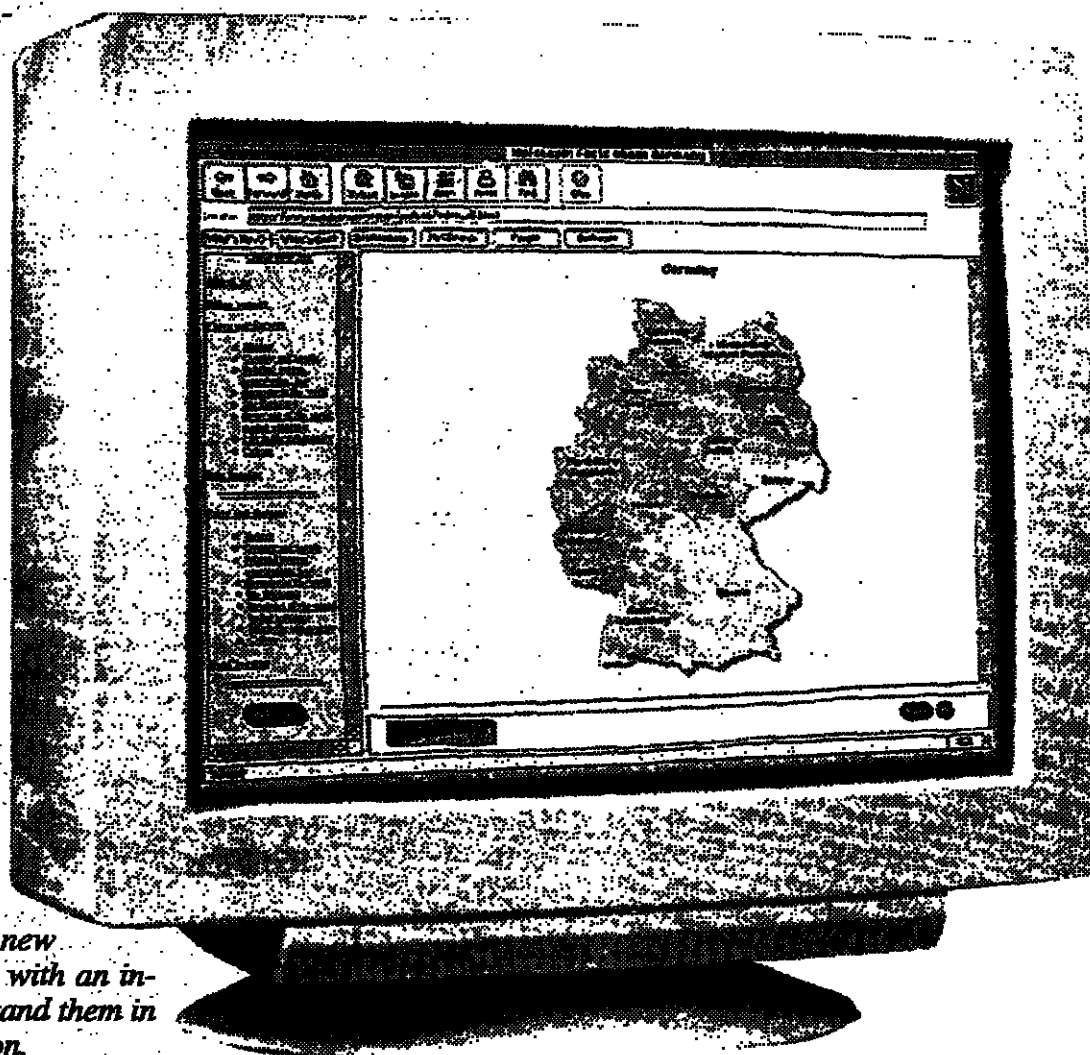
Nowhere have the changes been more thoroughgoing than in Germany's new states, now beginning their seventh year of post-reunification life. In revitalizing entire communities and business sectors, these often-dramatic changes have left the new states' communities and residents with an innovativeness and resiliency that stand them in good stead in this time of transition.

Many of the changes affecting Germany are caused by and linked to Europe-wide trends — unsurprising, since Germany's political, social, economic and technological links to the European Union are deep and abiding. For the countries of Central and Eastern Europe, Germany has become a strong advocate as well as a prime business partner.

These ties mandate that Germany will be at the center of the EU's next two transitions: becoming an economic and monetary union, and one that includes countries of Central and Eastern Europe.

As Chancellor Helmut Kohl states: "Germany's efforts to sustain its prosperity and freedom are innately linked to the furthering of the process of and progress toward European unity and the maintenance of peace on this continent."

Just a click away: information on German works in progress, from technological breakthroughs to Berlin construction sites.



## WEB SITES: ON-RAMP FOR THE GERMAN INFOBAHN

According to the computer magazine ComputerWoche, Germany now has the second-largest number of Web sites in the world.

Here's a good place to start surfing the German Net. Click on DINO (<http://www.dino-online.de/>). Use its search engine to locate information about, for example, revolutionary laser-based technologies. And here's what you get:

• No more boxes! A television without a monitor — and capable of projecting its ultra-large, ultra-sharp picture on virtually any vertical surface. This "Laser TV" is being developed by

company; and Schneider Rundfunkwerke AG, an electronics manufacturer based in Stuttgart.

• Everybody's got chips — we've got crystals. A new nanocrystal is capable of storing a quantum jump more data than the most advanced of today's silicon-based chips — and with a hundred thousand times greater speed of operation. The secret: The nanocrystals use photons instead of electrons to convey and process information. The crystals are "read" and "stored" by ultra-precise lasers. Made from acrylic resins, the nanocrystals were discovered by scientists at the University of Cologne, who are now working to prepare the crystals for commercial launch.

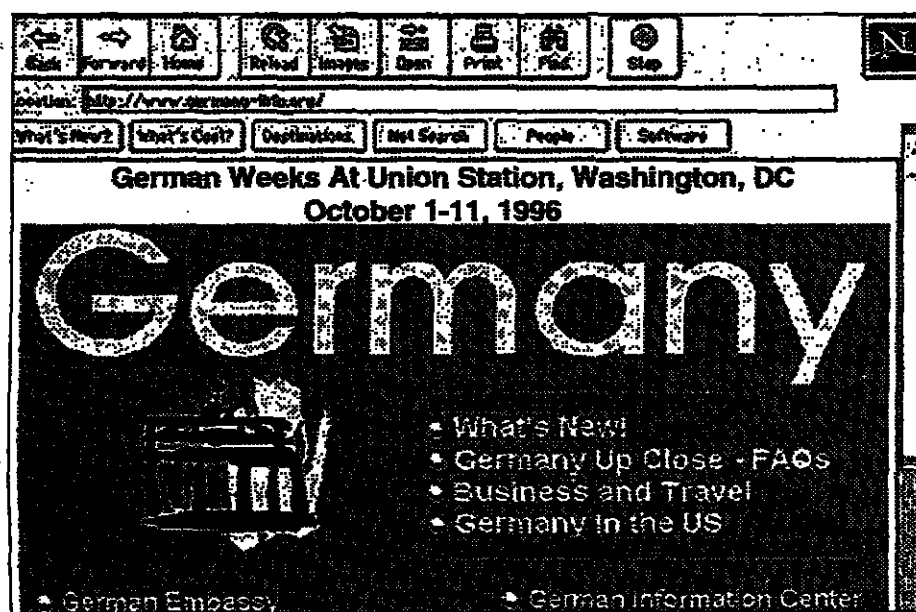
If you had been using DINO (Deutsche Informations-Organisationssystem), you might well have learned about these and other revolutionary breakthroughs two years ahead of the rest of the world, which is now reading about them in international business and scientific journals. DINO lists virtually all of Germany's scientific output and the organizations and people producing it.

### Hyperactive

Via hyperlinks to nearly all of the 6,000 federal, state and local public-sector Web sites in Germany, DINO also informs you about the weather, movie schedules, plays, bus and train schedules, late-breaking news and much more — in virtually every city in Germany.

Nor is DINO alone. Two other useful guides are Netguide (<http://www.netguide.de/>) and Webguide (<http://www.web.de/>). One of the best city Web sites is Berlin (<http://www.berlin.de/>). It's chock-full of useful information and fun graphics. A favorite site with visitors contains views, updated three times a day, of construction work at Potsdamerplatz, one of the largest construction sites in the world.

DINO is also linked to many of the Web sites maintained by the country's companies and consumer and business service providers. DINO has one drawback: It's only in German, although many individual Web sites are not.



German Weeks At Union Station, Washington, DC  
October 1-11, 1996  
What's New!  
German LDC - FAQs  
Business and Travel  
Germany in the US  
German Embassy  
German Information Center

Gera's LDT, Laser-Display-Technologie GmbH & Co KG (a company jointly owned by Daimler-Benz AG, Germany's largest

## BERLIN BUILDS FOR THE FUTURE

As new buildings go up, so does the standard of city-wide infrastructure.

At a July 24 meeting of Germany's federal cabinet, Klaus Töpfer, Germany's minister for construction, gave many of Berlin's tourists some bad news. "Preparations for the federal government's move are right on schedule and on budget," he said, adding that the 20 billion Deutsche mark (\$13 billion) move will begin in 1999 and be concluded by 2000.

This gives the large number of "construction-site tourists" only a little more than a year to enjoy many of the sights and sounds emanating from the building of a capital city. On a recent day, these sights and sounds draw 3,000 to 4,000 tourists to the city's 300 building sites, which cover an area of 800,000 square meters, much of it clustered around the downtown stretch of the Berlin Wall.

Some of these sights and sounds are artistic in nature; this summer, 250 exhibitions and concerts were staged on the downtown sites, whose scaffolding, cranes and mounds of earth provided an unusual and inspiring backdrop.

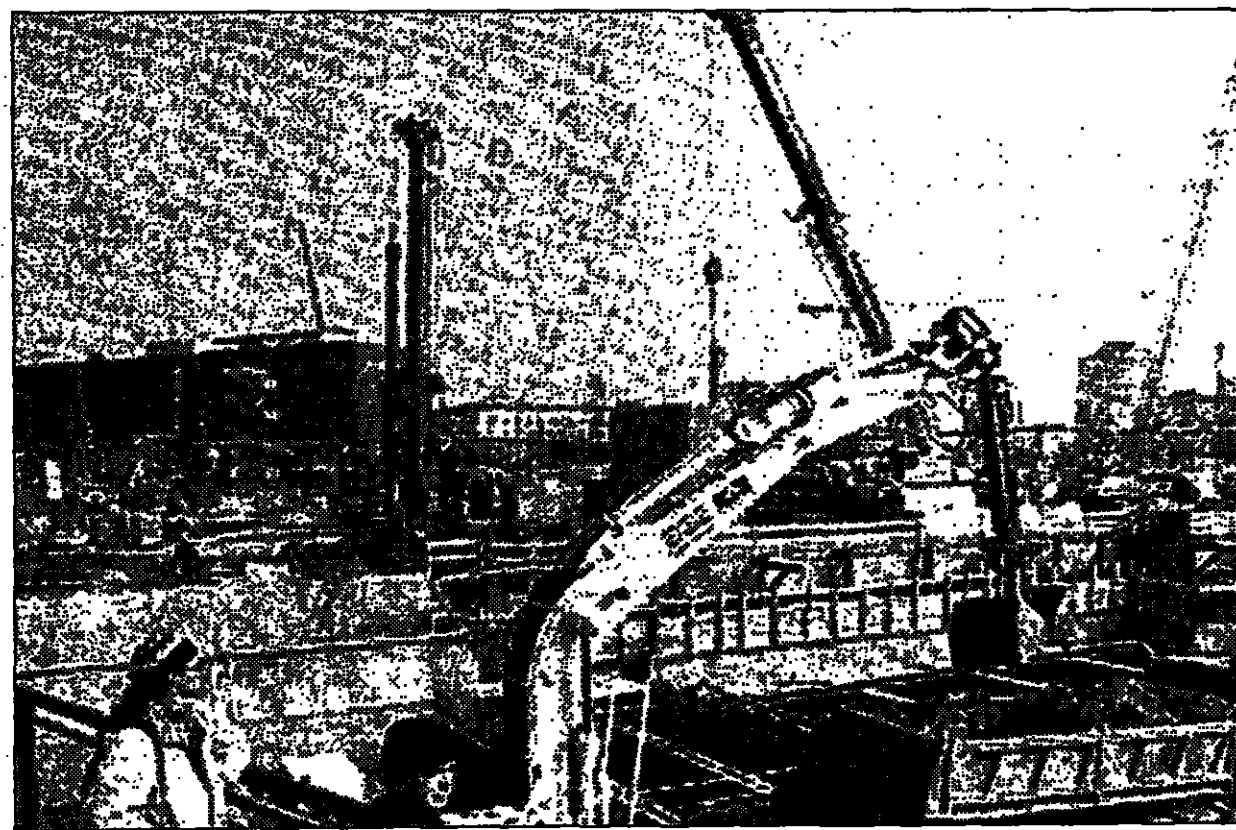
Other sights are more technical in nature. The most intriguing are the barges and construction divers working in Berlin's newest and shortest-lived lake, occupying the 51-hectare Debris site on Potsdamer Platz. The Daimler-Benz subsidiary is building a 3-billion-DM office, residential and retailing complex.

which is close to the surface. Rather than lowering the groundwater table — unthinkable in a country with some of the strictest environmental protection laws in the world — Debris had to undertake complex, prolonged underwater construction work.

The construction-site tourists will survive the loss of their current favorites. After all, they've already gotten used to seeing their favorite construction sites turn into striking buildings, especially as many of the buildings have become hits in their own right. The intrepid modern Galeries Lafayette department store, opened in February 1996, has become a must for any visitor to Berlin. It is located in the Friedrichstrasse area, the heart of Berlin's new retailing center.

**Federal face-lift**  
Another new sight for the tourists is the "government quarter," which fans out from East Berlin's main east-west artery, Unter den Linden. A number of buildings that will house federal ministries have been restored; others are being revamped or built. By now, all of the federal ministries have transferred a large number of staff to Berlin.

For Berlin's city parents, Mr. Töpfer's report was a welcome confirmation that their scenario of short-term pain being followed by long-term gain would continue to unfold according to plan: Assisted by the federal government, the city has been investing heavily in its future, completely overhauling its transport, environmental protection and energy supply infrastructure, with the lion's share of these funds going to East Berlin. It has also launched 25 multibillion-Deutsche-mark residential and industrial district redevelopment projects, most of them also in East Berlin.

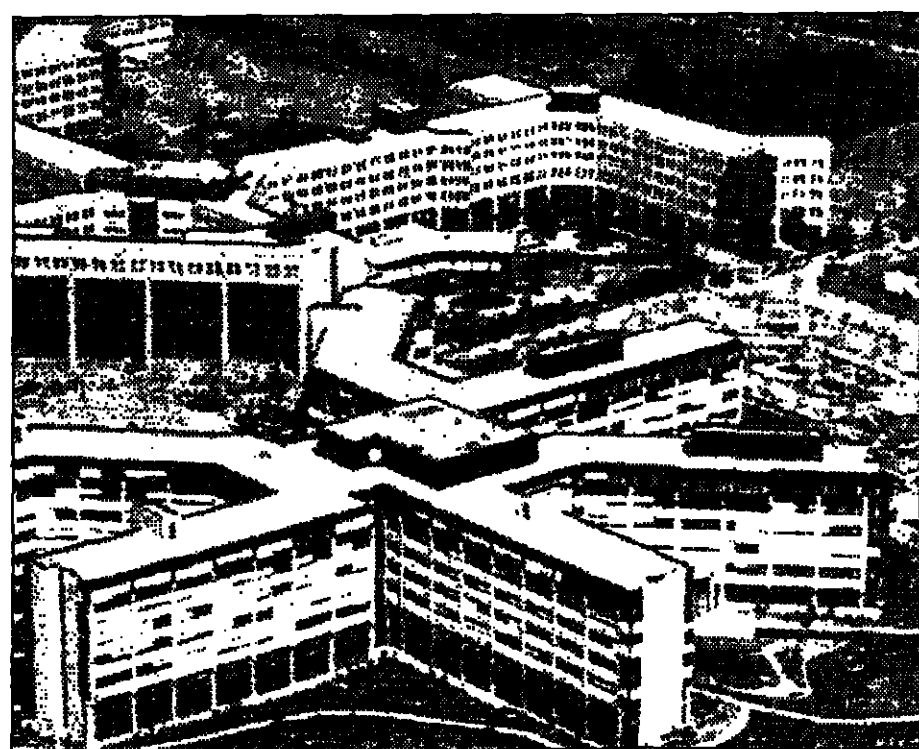


The Potsdamer Platz's construction sites are turning into striking buildings.

As they are completed, these projects, as well as various private ones, release a continuing supply of office, retailing and residential space to Berlin's real-estate market. The move is expected to generate enough demand to absorb this supply.

By 2000, 208 billion DM will have been invested by both the public and private sectors in Berlin over the last decade, states the city's ministry of economics.

The largest single investor is Deutsche Bahn AG, which has allocated 20 billion DM to giving the city an entire new network of train stations and rail lines.



Bonn will soon be trading nine federal ministries for 26 federal-level organizations.

## Government Web Sites

The best place to start is the Web site of the German government's Press and Information Office (<http://www.government.de/>). It is full of up-to-date political and economic information, and will handily direct you to the Web sites of the other federal ministries. Favorites with Net surfers outside Germany are those of the Ministry of Foreign Affairs (<http://www.auswaertige-samt.government.de/>) and of the Ministry of Economic Affairs (<http://www.bmwi.de/>). Both are in English and replete with useful facts and figures.

Tourists and investors, ahoy! The German embassies in Washington and Ottawa maintain very informative Web sites (<http://www.germanyinfo.org>) and (<http://www.docuweb.ca/germany/>) in English.

## BONN: TOO BUSY TO LOOK BACK

Communications is the city's trump card.

Bonn in autumn doesn't look like a city about to suffer the loss of its prime activity. The gracious downtown bustles with students and shoppers. Steady streams of civil servants and visitors arrive at the ministries grouped in the government quarter.

Nor will Bonn suffer such a loss. In a bit more than a year, nine federal ministries, the office of the chancellor and the government's office of press and information will depart for Berlin, leaving behind their representative offices and seven ministries, and causing a net loss of perhaps 18,500 jobs, according to a recent estimate by the federal ministry of construction. Others put the net loss of jobs at between 8,000 and 9,000.

Arriving from Berlin and other parts in Germany will be 26 federal-level organizations and facilities, plus 2.8 billion Deutsche marks (\$1.85 billion) in federal funds. These will finance the re-engineering of the city into a center of technological research and development.

Which is what the city is rapidly becoming in its own right, thanks to its business development authorities and Deutsche Telekom. The authorities have set up a number of successful technology centers and business parks. Many of their new residents are service and content providers, who have come to the city to serve a big corporate customer: Deutsche Telekom.

The world's second-largest communications company, Telekom has been busy spawning a fair number of additions to the city's business communities. These telecommunications subsidiaries provide everything from data communication products to network management services. Also coming to Bonn in force are the European Union and the UN. They have set up institutions and agencies in the city.



# GERMANY

## SHOT IN THE ARM FOR BIOTECH R&D

Germany is a rising star in biotechnology.

In the early 1980s, Europe made a very conscious, very bold decision. It would try to catch up with the United States and Japan in the microelectronics sector, where it had fallen behind in terms of sales and technologies. The result was JESSI (Joint European Submicron Silicon Initiative), the pan-European public- and private-sector research and development consortium. Thanks to it and to a surge in international demand, Europe's microelectronics sector became a powerful contender on world markets by the early '90s, a position it has since consolidated. Now, the same thing is happening with biotechnology. A few years ago, biotech was basically an American preserve, with Britain being the only European country with any notable development and marketing activities in the field. Then Europe, and specifically Germany, made a major commitment to developing a biotech sector capable of creating competitive products and processes.

### Steady growth

The European biotech sector is now growing at a strong annual rate of 20 percent. The sector is likely to maintain this rate in the years to come, according to Ernst & Young's third annual report on the Continent's biotech sector, "European Biotech '96," which states: "Nowhere is the change in biotech's image and fortunes more pronounced than in Germany."

According to the report, a major reason for this change is a vast flow of funding. In 1995, biotech-related projects received \$1.14 billion from Germany's public and private sectors, or about 3.5 percent of the country's total R&D budget of \$32.3 billion. Significantly, the report ranks Germany first in Europe for venture-capital support of biotech, as judged by the latest 1994 figures.

All told, 40,000 people now work in Germany's biotech sector, reports Jürgen Rüttgers, Germany's minister of education, science, research and technology.

The change in image has been caused by such products as biogenetically produced "Papp." Issuing from genetically altered hamster cells, this enzyme proves whether or not a substance is cancer-causing in human beings. It has been developed by researchers at Heidelberg's German Center for Research into Cancer.

The insight that biotech could save lives – and particularly one's own – has had a revolutionary and salutary effect on German public thinking, which formerly seemed to view the sector with bemused skepticism. The country's general-interest magazines now routinely give front-page coverage to biotech's latest breakthroughs and the people and companies making them.

One headliner has been Professor Svante Pääbo, the Swedish "genetic detective," who is now teaching and researching at the University of Munich. Professor Pääbo and his team of 25 researchers from seven countries have developed techniques allowing inanimate biological materials to yield their genetic materials for replication and analysis.

These techniques were used to determine the origins and age of "Otzi," the 5,200-year-old petrified mummy found in the Alps' Otztal region. The techniques are now routinely employed to track down criminals and secure access to computer systems. They also provided the inspiration for the movie "Jurassic Park."

Such breakthroughs have also fueled a race by Germany's states to get a major stake in this field of the future. Backed by the proceeds of its successful privatization program, Bavaria has created a major center of biotech research in the southern Munich suburb of Martinsried, which includes the Max Planck Institute for Biotechnology, a world leader in its field, and an incubation center for



Heidelberg researchers are helping identify carcinogens.

biotech start-ups. Regensburg has become one of the world's hubs for research into anaerobic bacteria.

### Mushrooming

Baden-Württemberg has Boehringer-Mannheim and the 39 other high-performing biotech companies in the Mannheim-Heidelberg area, in which the country's major cancer research institute is located. Also in the state is Freiburg, with a biotech community nearly as large and important as Heidelberg's. Hesse, to the north, has Dreieich's Biotech, reportedly Germany's largest independently owned biotech company, plus a number of other commercially successful start-ups.

Perhaps the largest of them all is the biotech sector of North Rhine-Westphalia. One of its latest discoveries is a revolutionary biomembrane system that permits protein-based bioreactors to be produced at an affordable price and on a commercial scale. This discovery earned Maria Regina Kula of the University of Düsseldorf and Christian Wandrey of the Jülich Research Center, one of Germany's largest such institutes, a top American biotech award.

Perhaps the greatest advances in applying biotechnologies to environmental issues are being made in Germany's new states, especially in and around Berlin. home to Adlershof, now in the process of becoming Europe's largest R&D complex, and the Max-Delbrück Institute for Molecular Medicine. The latter, in a variety of organizational forms and under a variety of regimes, has been at the forefront of biological research for several generations. ■

### "GERMANY"

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## Two Communities Tipped for Growth

Leipzig and Dresden are both located in the state of Saxony, about 100 kilometers (60 miles) apart. They are around the same size, with just under 500,000 inhabitants each. Munich's Ifo (Institut für Wirtschaftsforschung) and other major West European economic research organizations recently ranked Europe's major communities according to their prospects for growth in

the period until 2000. Leipzig finished first, Dresden second. Despite their similarities, these cities are anything but identical. They have very different business communities, each with its individual strengths and specialties. Together, the two cities complement each other and exemplify the range of changes taking place in the economy of Germany's new states.

## LEIPZIG: 11 CENTURIES OF COMMERCIAL SAVVY

A lively commerce in products, ideas and services characterizes this city, long renowned for its fairs.

Today's successful European city provides a complete range of services – commercial, technical and logistical – and does so efficiently and attractively. This description fits Leipzig, as it has for the last 11 centuries.

A Leipzig merchant from the ninth or 19th century would likely have difficulty finding his way around the late-20th-century version of his city. But he would have no trouble at all discerning Leipzig's main occupation – the exchange of goods, services and ideas – for it has not changed in the interim.

"Leipzig has always had something of a bazaar about it," says Cornelia Wohlfarth, chairwoman of the managing board at Leipziger Messe GmbH, the city's trade fair authority, "with a bazaar's receptiveness to new people and new groups bringing in products and ideas. The interplay of the different components amassed through this inclusiveness has yielded a steady stream of new products and services."

### Marketplace bustle

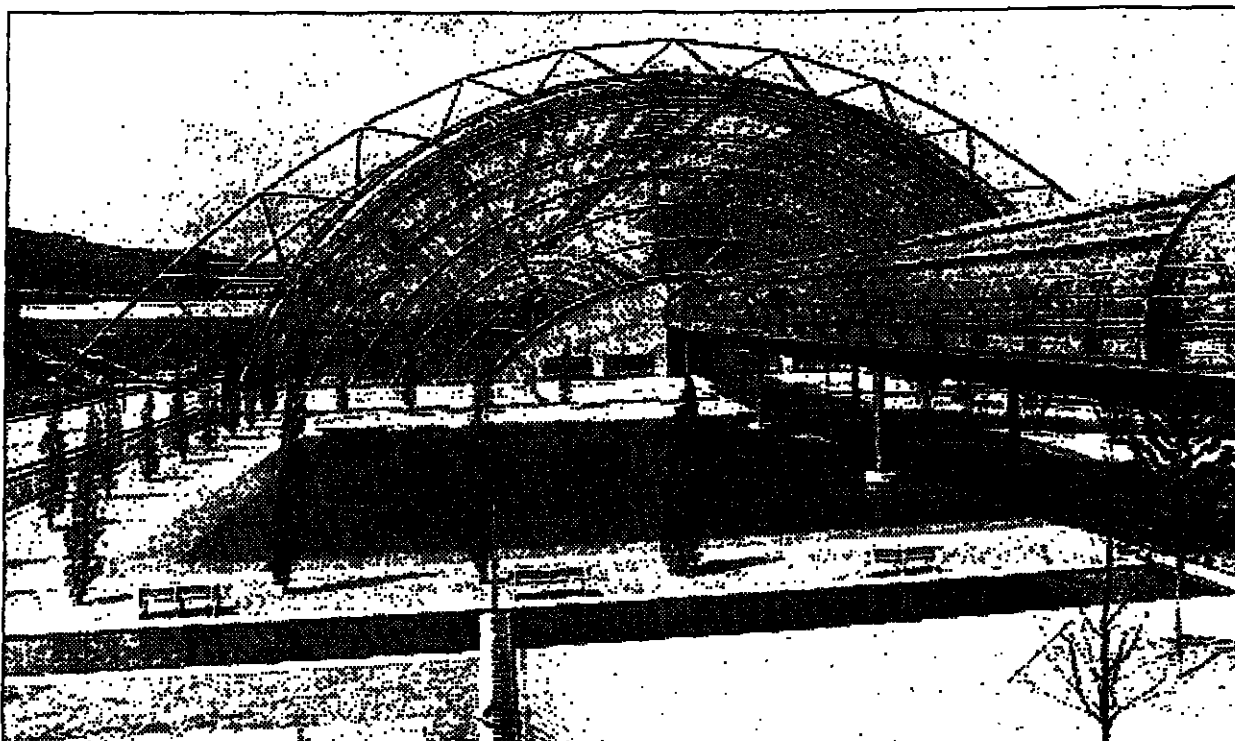
The Leipzig of 1996 does crackle with a palpable, bazaar-like liveliness. Although much of the down-

town, residential and commercial districts are filled with newly built and recently restored structures, more construction projects are being launched on a regular basis, defying last year's gloomy predictions of a real-estate glut.

Heterogeneity is evident in Leipzig's cityscape, where small, high-minded, locally owned publishing houses exist side-by-side with the massive printing, post-production and distribution operations of Germany's media giants. Trendy boutiques studding the city's pedestrian zone vie with vast hyper-malls outside the city, where Quelle's billion-Deutsche-mark distribution facility, the city's new fairgrounds and a sprawl of logistics centers are also located.

Now brightened up with a fresh coat of paint, the rows of former East German industrial facilities in the city's mid-regions house start-up companies producing advanced medical and environmental-imaging programs. Just beyond are the sparklingly restored hotels lining the city's Ring, the boulevard encircling Leipzig's historic core.

Tempered by a persistent slump in its industrial sector, Leipzig's sustained growth is being partly fu-



Leipzig's new trade-fair facility is keeping up with the times.

eled by the the prosperity of its surrounding region. While this prosperity is by no means evenly spread throughout the new states, and while it has not yet made the states self-supporting, the rise in the East's standard of living has been impressive.

As of mid-1996, the new states' average per capita income and wage had risen

from around 50 percent to over 80 percent of West German levels. Pensions have made an even more dramatic jump, from around one-third of levels in Western Germany to over 80 percent.

### Looking eastward

Another boost has come from neighboring countries to the east, which constitute

Europe's fastest-growing region. Leipzig's trade fairs were the predominant event on Comecon's economic calendar in the days of the Soviet bloc. By systematically reaching out to these countries' new groups of decision-makers, the present-day trade fair authority has not only renewed but further developed the ties of the past.

At the same time, it has also helped maintain the city's characteristic cosmopolitan spirit. On any given day, a gaggle of businesspeople from Warsaw, Wuppertal, Washington, Manchester, Munich or Minsk can be seen rubbing elbows in Mövenpick or in the city's other downtown, business-oriented eating emporia. ■

## DRESDEN'S NEW, HIGH-TECH INCARNATION

Famous for its Baroque past, Dresden is now busy building chips as well as rebuilding its monuments.

Since 1992, the year Germany's new states bottomed out economically, the region's industrial production has risen 40 percent, to well above pre-unity levels. The dramatic rise is partially the result of the production of 16-megabit DRAM (dynamic random access memory) chips and post-Pentium microprocessors.

This is a dramatic turnaround for Eastern Germany, which before reunification produced no microelectronics except for a few ludicrously expensive prototypes of a one-megabit chip and some low-tech computers.

Dresden is now becoming one of the world's great producers of DRAMs, microprocessors and other leading-edge microelectronic components and systems. In October 1995, after only 14 months of construction, Siemens' 2.7 billion Deutsche mark (\$1.7 billion) microelectronics production facility was put into operation. Employing 2,300 workers, the gleaming facility is located in north Dresden, on a site previously occupied by the Soviet military.

### Groundbreaking

Almost exactly one year later, on a nearby site, the groundbreaking ceremony for Advanced Micro Devices' 2.8 billion DM production facility will take place. Due to begin operating in late 1998, the new facility's 1,400 employees will produce and design post-Pentium-generation processors for the world's communications and personal computer markets.

Coming on the heels of other major local high-tech set-

ups, the building of two ultra-large microelectronics facilities in one city poses the question: What brought the companies to Dresden? Was it the size of the public sector support packages? Or possibly the legendary persuasiveness and persistence of Kurt Biedenkopf, Saxony's prime minister?

Such packages are routinely offered to industrial investors setting up job-creating plants no matter where in the world they're locating, point out executives at Siemens and AMD. While Mr. Biedenkopf's blandishments no doubt played a role, it was the Saxons' occupational skills that constituted the clinching factor, according to the executives.

"Like their counterparts in the West, East Germany's systems of vocational and technical education were excellent. Considering the lack of modern equipment and modern business practices under which the systems' graduates labored, the country's work force performed miracles," says Claes Berglund, AMD's spokesman. "It was this large pool of highly qualified, motivated personnel that led us to select Dresden. Nowadays, you can put up a microelectronics factory anywhere in the world. Finding the personnel capable of operating it quickly and easily – and doing so at the requisite levels of efficiency and quality – is the tricky part."

Employment of this talent pool has not been restricted to outside investors. Along with Jenoptik, Thyssen and MaZET (all located in Erfurt, Thuringia), ZMD (Zentrum

Microelektronik Dresden) is one of the new states' home-grown microelectronics stars.

Three years ago, ZMD was a twice-unsuccessfully-privatized, low-sales microelectronics company about to go down for the third time. Now a producer of nvSRAM (non-volatile Static Random Access Memory) and other high-demand chips, the company is headed for sales of 70 million DM in 1996, much of this outside Germany. Turned around by a team led by Kurt Garbrecht, born in Brandenburg and a long-time Siemens hand, ZMD employs a staff of 550.

### And lest we forget

Other factors inducing investors – and a rapidly increasing number of tourists – to come to Dresden are the charms of the city and its environs. The focal point of most visits is the city's Baroque core, comprised of the Zwinger (an enclosed garden), the Taschenberg palace and dozens of other structures. After six years of painstaking reconstruction, many of these buildings have been restored to their former glories.

One of the most popular tourist activities in Dresden at the moment is spending a few hours watching the rebirth of the Frauenkirche. Destroyed like the rest of Dresden in the February 1945 bombing, the 17th-century "Church of Our Lady" appeared doomed to remain a ruin – until 4,000 donors joined to pledge the 250 million DM required to rebuild the church, set for completion in 2003. ■

## TRADE FAIRS KEEP TRADING UP

Last year was the latest in a long line of good years for Germany's trade fair authorities.

In 1995, Germany's trade fairs attracted a total of 142,000 exhibitors, up 6.7 percent over 1994. Total floor space rented totaled 6.4 million square meters, a rise of 8.8 percent, with total visitors increasing to 10.5 million, a 16 percent jump over 1995.

These figures represent all-time records, as do the number and share of exhibitors from outside the country. Powered by a 39 percent rise in exhibitors from the Pacific region, non-German companies accounted for 43.3 percent of all exhibitors at the country's major trade fairs, more than a percentage point better than 1994's hitherto record result, reports AUMA (Ausstellungs-und-Messe-Ausschuss der Deutschen Wirtschaft), the Federation of Germany's trade fair authorities.

These figures consolidate Germany's pre-eminence in the world's trade sector. Six of the world's top 10 trade fair authorities are located in Germany, the venue for more than 100 of the 150 trade fairs of international importance.

### Metamorphosis

This year looks very different – not because of the statistical indicators, which are pointing to further steady growth and more record results, but because of vast changes in the fairgrounds themselves.

The wave of changes was kicked off by Leipzig. On April 12, it opened its 1.3 billion Deutsche mark (\$860 million), 120,000-square-meter facility, located on the city's northern outskirts. Critics rushed to acclaim it, one describing it as a "cathedral of openness and light" – a reference to the facility's glass-roofed central hall. Another

predicted it would "shape the course of trade fair design in the years to come."

In November, Frankfurt, which contends with Leipzig for the title of the world's oldest trade fair venue, will put its 400-million-DM Congress Center into operation. Next up are Munich and Berlin. Munich's 2.3 billion DM facility will form the core of an entire new city – Neu-Riem – being built on the site of the city's decommissioned airport and projected to be home to 16,000 residents. Berlin's fairgrounds are currently undergoing a top-to-bottom, section-by-section revamping and extension. When completed in 2000, the facility will have 160,000 square meters of usable floor space, not including its International Congress Center.

### Hoopla in Hannover

The most widely publicized trade fair project will also be concluded in 2000. Hannover's trade fair authority, Deutsche Messe AG, will help host the Expo 2000 world's fair, expected to attract between 20 million and 40 million visitors. At latest report, more than 70 countries had already committed themselves to Expo 2000, which is expected to provide a 14 billion DM boost to Lower Saxony's economy.

To accommodate the world's fair and provide for its own future needs, Deutsche Messe has rebuilt three of its halls and built a fourth, while helping to extend various public transportation systems. The price tag for the various projects: 300 million to 400 million DM, according to the authority. ■



Frankfurt is now home to a brand-new congress center.



# GERMANY

## AT LAST, LATER HOURS

New shopper-friendly legislation.

On Nov. 1, 1996, Germany's laws will finally catch up with Germany's realities. Instead of closing at 6:30 P.M. on weekdays, the country's stores will stay open until 8 P.M., if they so choose.

Over the last two decades, while the endless debate over whether to make this move raged and roiled, a variety of ingenious gimmicks were employed to perforate the country's restrictive laws on store opening hours.

Many of the country's cities — including Berlin — got themselves declared ports, which are allowed to set longer opening hours, as are spas, of which Germany has several hundred. Gas stations, which are legally permitted to satisfy travelers' needs for food and drink, mutated into round-the-clock convenience stores.

The biggest change in Germany's tertiary sector has come from the country's telephone-based and on-line services. It is now possible to book a flight, rent a car or access a bank account on a 24-hour-a-day basis. The spread of these new services was greatly enhanced by the restrictive shopping times.

Whether on-line or face-to-face, Germany's service industry continues to expand. More than 61 percent of the country's employees now work in the sector, up 7 percent from only four years ago, reports the German Federal Office of Statistics. Strong though it is, that statistical rise is probably understated.

In a recent study, Berlin's Deutsches Institut für Wirtschaft economic think-tank took that 61 percent and factored in people providing technical and marketing services for the country's manufacturers. The institute's finding: 73 percent of all Germans work for the service sector. "About the same percentage as exhibited by the U.S. service sector," noted the report. ■



Shopping arcades like this one in Lower Saxony, once empty by 6:30, now stand to take on new life.

## REVIEWING CORPORATE TAXES

Germany's finance minister hopes for a revised corporate tax code by 1999.

Germany has long maintained the industrial world's second-highest rate of corporate capital formation, reports the Organization for Economic Cooperation and Development in a study covering the period 1972-1992. The accumulation of this vast stock of assets has stood the country's companies in good stead. In 1995, Germany had a .07 percent insolvency rate, states Bayerische Vereinsbank in an authoritative report. This rate was the second-best in the European Union.

One explanation for this propensity — in addition to the reputed prudence and responsibility of Germany's managers — is stability of ownership. The reasoning goes that as most German companies retain the same group of owners over decades and generations, their executives can think and plan for the long run, and not have to short-sightedly maximize short-term profits.

Current trends have robbed this explanation of some of its validity. Ownership of listed companies may still not change as often as in the United States or Britain, but the concept of shareholder value has taken hold in Germany, with shareholders now closely monitoring their companies' bottom lines.

For between 300,000 and 700,000 of Germany's privately held companies, the long term will come to an end over the next three years, reports business daily Handelsblatt, as old age forces the companies' owners to relinquish the helms of the companies they founded in the years after World War II.

As the second generation often displays less interest in or propensity for management, many of these companies are calling on Birgit Felden and her ilk to achieve an orderly transfer of power. Ms. Felden, head of the Cologne-based Treuhand und Management Services GmbH, is one of Germany's first "change managers," according to business weekly VDI Nachrichten. For her prowess in developing this new area, Ms. Felden, 28, was named "Germany's young manager of the year" in 1996.

One item rarely given credit for corporate Germany's solidity is the country's tax

system, which is characterized by high tax brackets — up to 47 percent of corporate and 53 percent of personal income — and relatively reasonable rates of tax payments. In 1994, the taxes paid on income by Germany's companies came to just under 40 percent, reports the Bundesbank. This is one of the lower figures among EU member countries, and roughly equivalent to American levels.

The difference between tax brackets and tax payments is attributable to the bewildering large range of generous write-offs, deductions and other tax shelters and subsidies available to German companies making capital investments. The companies have been glad to take full advantage of these tax-reducing measures — with a tremendous cumulative impact. In 1994, the amount of depreciation made by companies on their capital stock — 204 billion Deutsche marks (\$135 billion) — was around five times more than the taxes on income they paid.

### An easier way?

This system, while convoluted, is obviously efficient. Why, then, has Theo Waigel, Germany's finance minister, made a top-to-bottom overhaul of the tax code one of his highest priorities? "The tax code has grown unwieldy, and this unwieldiness is stifling entrepreneurship," says Mr. Waigel. The facts back him up. Each year, a further 40 ministerial promulgations, 200 judgments by Germany's federal fiscal court — not to mention 15 times that many by lower courts — and 1,000 decrees of implementation explain, enact and enforce the tax code, states WirtschaftsWoche in a recent cover story.

Mr. Waigel has set a strict timetable for the tax overhaul, which he hopes will take effect by Jan. 1, 1999. To date, several proposals for a revised code have been tabled in the Bundestag, Germany's parliament. Several establish three, low-rate-of-payment tax brackets, while pruning away nearly all of the tax shelters. Others are centered on a reform of the "linear-progressive" system. ■

## VENTURE CAPITAL: NEW BUSINESSES REAP THE PROFITS

Public and private sources aid entrepreneurs.

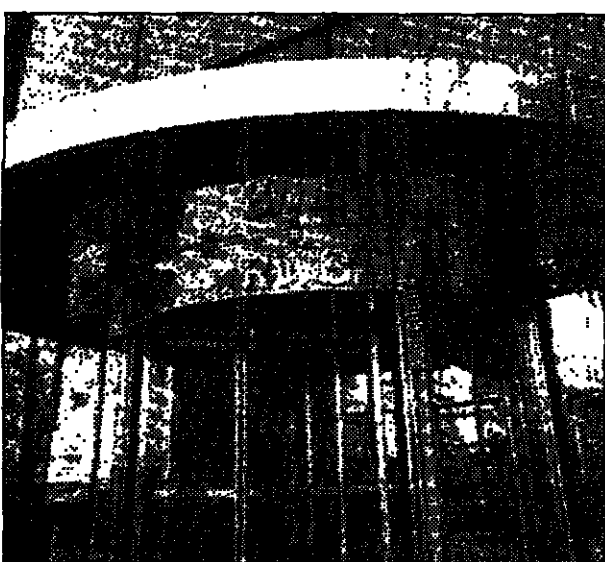
In 1995, according to a study released by Bayerische Vereinsbank, 366,800 companies were founded in Germany, a figure exceeded only during the first years of reunification, when a private sector serving five states and 16 million people was set up within a very short time.

This rate puts Germany's corporate sector on course to grow from 3 million to 4 million companies by 2000. Among Germany's several hundred thousand neophyte entrepreneurs, two groups predominate: graduates of the country's technical universities and polytechnic institutes, and recent employees of Germany's major companies.

To continue to compete on international markets, Germany's manufacturers have been slashing their executive payrolls and sharply limiting the hiring of new personnel. Armed with decades of managerial experience and generous termination settlements, the departing executives are likely to set up their own businesses, frequently franchise operations. The graduates' major asset is the stock of technical expertise and technological innovations garnered and created during their studies.

In getting started, all of these neophyte capitalists can avail themselves of an ample supply of venture capital, much of it from the public sector. "Our country has a clear interest in helping young entrepreneurs get off to a strong start," says Günter Rexrodt, Germany's minister of economics, "not only because every successful start-up generates an average of four additional jobs, but because the products and services the start-ups provide are among the most innovative the country has to offer."

The entrepreneurs have been rushing to avail themselves of this support. During the first six months of 1996, company founders in Germany's new states received 904 million Deutsche marks (\$598 million) in start-up funds from the Deutsche Ausgleichsbank, a public sector business-development credit institute. The total was nearly twice as high as the previous year's. The founders' counterparts in the country's western states were even more active, receiving 845 million DM, or more than three times the total for the first half of 1995. Similar rates of growth were registered by other federal, state and local level funds, of



Stock exchanges are seeing growth in initial public offerings.

which there are now literally hundreds in Germany. Typical of them is the state of North Rhine-Westphalia's "GuW" (Gründung und Wachstum, or start-up and growth) scheme, which provides between 40,000 and 300,000 DM to newly founded companies, assuming the securing of matching funds from the Ausgleichsbank, the European Recovery Program or another source. One of the latter is the venture capital fund maintained by Cologne's Stadtparkasse (savings bank) expressly for local ICT (information and communication technologies) and environmental engineering start-ups.

Though still low by American standards, the volume of venture capital available from private sources in Germany has also been increasing strongly, up 14 percent in 1995 alone. Accounting for nine-tenths of the private sector market, the more than 80 companies making up the German Venture Capital Association held equity worth 8.73 billion DM in more than 3,000 companies employing 282,000 and with total annual sales of 79 billion DM in 1995. Prime recipients of the venture capital were industrial and environmental engineering companies.

Once the preserve of established companies, Germany's eight stock exchanges are now displaying a NASDAQ-like propensity for funding start-ups. The exchanges registered a solid 8 percent growth in total turnover in 1995. The total value of their IPOs (initial public offerings) was a bit higher: up 458 percent over 1994. ■

## FRESH WINDS ARE BLOWING FOR ENVIRONMENT

Non-fossil-fuel-based technologies are back.

In 1995, another thousand windmills were set up in Germany, raising the country's output of wind-generated electricity by a whopping 90 percent, coming after a similar rise in 1994. With no signs of a slowdown, the growth of the wind-power sector has no doubt gladdened the heart of Angela Merkel. Speaking for the German government at the March 1995 Conference on the Climate, held in Berlin and popularly known as Rio II, Ms. Merkel, Germany's minister for the environment, pledged that Germany would achieve a 25 percent reduction in its total emissions of carbon dioxide by 2005.

According to Ms. Merkel, Germany is well on its way to doing just that. Emissions of carbon dioxide have been reduced by 12.7 percent over the past five years. The growing output of windmill-produced power is one important factor in this reduction.

**Two-wheeled incursions** Other carbon-reducing measures include the introduction of tariffs encouraging energy saving by corporations and consumers, the increasing employment of advanced insulating materials in homes and the growing role of the bicycle as a means of urban transport.

In a Germany-wide survey, it was found that 40 percent of all travel within the university towns of Münster and Erlangen is made by bike these days. The comparable figure in Munich is 13 percent, best among Germany's large cities and up 133 percent over a decade ago.

In addition to alleviating Germany's environmental problems, the windmills have proven doubly beneficial to the communities in which they are located. The long lines of white energy-generators have become a tourist attraction in Schleswig-Holstein, Mecklenburg-Western-Pomerania, the Saarland and other areas in Germany.

For the communities' residents, power generation has become a valuable cottage industry. They sell the

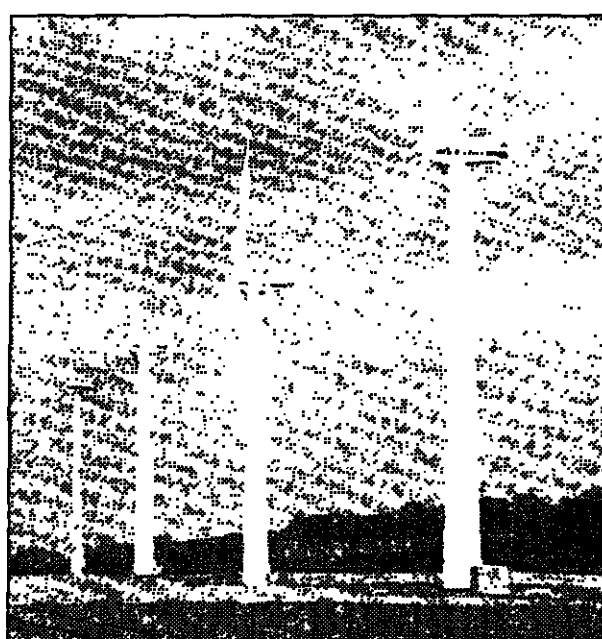
power generated by the windmills to local energy authorities at a reasonably high price — too high, grumble many power industry executives.

### Simpler things

Windmills and bicycles are only two of the encouraging signs of environmental progress in Germany. A series of recent reports in Munich's Süddeutsche Zeitung covered a debate on the year's central environmental question: Are the country's forests experiencing a widespread healing? A number of statistics would indicate that such is the case.

There is no doubt about the rapid progress being registered in the Elbe, ranked by the country's environmental authorities as the most polluted of Germany's major rivers only six years ago. It has now gone from being "ecologically destroyed" to "moderately polluted" for most of its length, with further improvement in the cards.

The Elbe's improvement was just one of the results issuing from the 65 billion Deutsche marks (\$43 billion) spent every year on protecting the environment in Germany. Also receiving this largesse is Leipzig's International Center for the Transfer of Environmental



Windmills have become a German tourist attraction.

Technologies. Founded this year, the center's objective is to further develop and disseminate advanced technologies for the treatment of air, land and water-based pollutants now in universal use in Germany. To give one example, these technologies have already reduced the emissions of sulfur dioxide and nitric oxide from power plants by more than two-thirds, points out Chancellor Helmut Kohl. The number of motor vehicles on the country's roads and the amount of kilometers covered by them continued their inexorable climbs in 1996. There were smaller but encouraging rises in the passenger-kilometer totals racked up by the country's mass-transit authorities and by Deutsche Bahn AG (DB), the country's federal rail authority. Showing the sharpest rise

was DB's flagship InterCity Express lines, up 12 percent over 1994. This figure is bound to rise sharply in 1996. On Sept. 29, the rail corporation introduced the new generation of ICs. The ICE II features more economical operation and a flexible configuration, plus a wide range of passenger-friendly features, including plugs for laptop computers in every seat.

Nor are Germany's environmental protection measures restricted to the country itself. Chancellor Helmut Kohl and Brazil's President Henrique Cardoso agreed on a wide-ranging plan to protect Brazil's tropical rain forest and its peoples during Mr. Kohl's recent visit to Brazil. The Rio I conference had made the protection of the rain forest a top environmental priority. ■

## FOR A SMALL TOWN, BIG CHANGES

When all is said and done, the statistics put it most concisely: Germany's new states: 1995 GDP: +5.6%. 1996 GDP: +5% (end 3rd quarter). Last three years' GDP: +23%. Unemployment: 15% (August). The figures for the 15.5 million inhabitants of Germany's five eastern states speak of sustained, strong economic growth and a continuing but not disastrous problem with unemployment.

Burg's "self-initiated recovery" is typical of many communities in Germany's new states. This town of 26,000 started out its post-reunification life with a formidable range of problems. Located just northeast of Magdeburg, the capital of the state of Saxony-Anhalt, Burg had several overstaffed, outdated factories producing unmarketable textiles, shoes and beverages. After being privatized, the modernized factories soon began trimming down their work forces.

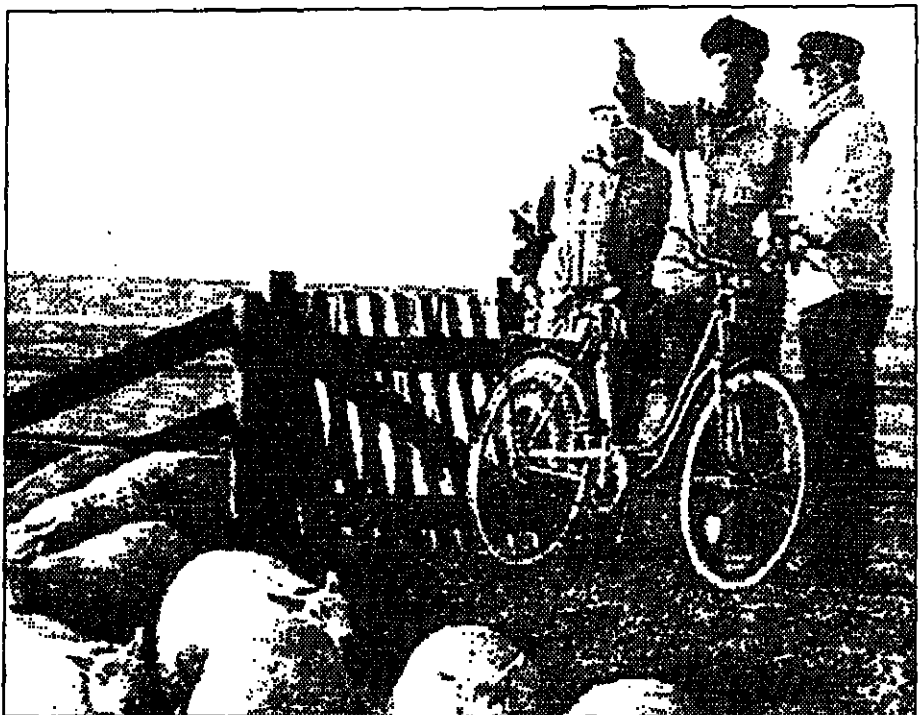
In addition to a sharply rising unemployment rate, Burg also had a serious environmental problem. Soviet soldiers had been stationed in the local barracks, built by the Wilhelmian military on an epic scale. The Soviets left behind a vast ruin filled with tons of waste munition, asbestos and other forms of toxic waste.

Enter the aptly named Dede Wohlgemuth (the last name means "pleasing disposition"), a local engineer.

First he was appointed head of Sanierungs- und Innovationsgesellschaft mbH Burg, the city's redevelopment agency. Then, equipped with federal job action funds, he began hiring laid-off workers, employing up to 1,300 at any one time. Their new field of activity: cleaning up the barracks and residential and industrial areas in the city and its environs.

Today, the carefully restored barracks are home to departments of the municipal government, doctors' and other offices, a restaurant, a hotel and more. The apartment buildings restored by Mr. Wohlgemuth's recruits have eased the region's crushing housing shortage. Residents from around the area swim and sunbathe at the Niegrüpp See lake, whose waters and shores have been rid of trash and pollutants.

Mr. Wohlgemuth hasn't achieved these impressive results all by himself. Burg's mayor, Daniel Kohnert, tirelessly applied himself to the time-consuming process of applying for state and federal funds. An invaluable boost came from Western Germany's corporate sector, which has invested heavily in the region. Notable among these investments is the production facility set up by Düsseldorf's Henkel. Germany's fourth-largest chemical producer. It now employs 350, helping to keep the area's unemployment rate at 17 percent. ■



The bicycle is also returning to cities as a favored means of transport.



## GERMANY

### HOTTEST TICKET IS CITY-HOPPING

"Musical cities" is the current travel trend.

In this year of dismal weather, the hardest-to-get ticket in Germany was not one for the Maldives or Mallorca in February, but for "Sunset Boulevard" in the village of Niederrhausen outside Wiesbaden, or for "Les Misérables" in Duisburg, or for "Starlight Express" in Bochum.

Or, for that matter, for the country's other musicals, being staged in Hamburg (two), Stuttgart (two), Cologne, Aachen and Essen. The longest-running of the musicals is "Cats," now in its 10th year in Hamburg. Some 8.4 million tickets have been sold for the production.

Another 6.6 million people will attend these musicals in 1996, should all the current musical theaters attract full houses — a big "if" in view of the growing number of musicals now being staged in Germany.

If making a weekend or minivacation of their excursions to a musical, each of these people will spend between 350 and 500 Deutsche marks (\$230-\$330) on accommodation and meals. Helping them do so are such opulent new hotel-spa complexes as the Stuttgart International, which resembles a theme park.

#### Sharing the wealth

Collectively, this "musical tourism" constitutes a significant boost for the eight communities' economies. Even larger is that produced by Germany's 5,000 museums, and specifically by its 450 art museums. A single hit exhibition, such as 1995's exhibition of the Barnes Collection's masterpieces in Munich, can attract 400,000 viewers from near and far.

As exemplified by the crowds thronging this year's Vermeer exhibition in the Hague, "culture travel" or "city hopping" — as tourists experts call the phenomenon — is the fastest-growing kind of tourism. Nowhere is it stronger than in Germany, blessed with a supremely travel-minded population and with literally hundreds of "cultured communities."

Many of these communities are large in cultural and historic importance and relatively small in size, like Quedlinburg, Saxony-Anhalt; Lübeck, Schleswig-Holstein; Potsdam, Brandenburg and the other communities that are now participants in UNESCO's World Heritage program.

#### Modern-art mecca

There's no doubt that 1997's hottest ticket will be to "documenta" in Kassel. The quintennial retrospective of modern art is the largest of its kind in the world. Two years later, it will be Weimar, Thuringia's turn. The stately home of Goethe, Schiller and the Bauhaus will be that year's Capital of European Culture. •

### FASHION IN SEARCH OF A CAPITAL

Several cities vie to be Germany's fashion center.

In most countries, fashion is not the stuff of spirited civic rivalry. In countries where fashion is a major industry, the couture capitals — Milan, Paris, London or New York — are unrivaled in attracting the dominant couturiers and clothing manufacturers.

Polycentric Germany lacks such a dominant metropolis, however, and a never-ending flurry of claims and counter-claims is the result.

Hamburg makes its case for fashion pre-eminence with Jil Sander and Wolfgang Joop. Both have risen to become major international clothing designers; both have built burgeoning corporate empires around their apparel and perfume. Munich counters with Escada and Willy Bogner, two top-of-the-market houses whose clothing is even more popular abroad than at home.

Düsseldorf knows it is the center of fashion in Germany, because the city's Igedo trade fair, now to be held three times a year, attracts the most foreign buyers and rag-trade reporters. It also stages the successful CPD Collection Premiere Düsseldorf. In addition, most of Germany's large clothing manufacturers, including Wattenscheid's Steilmann group, the largest of them all, are located in the city's immediate vicinity.

AG, whose name commands the greatest degree of international recognition of any line of fashion from Germany.

One fact tends to be forgotten in this lively debate. Add up all the products designed and produced in Berlin, Hamburg, Munich, Wattenscheid and elsewhere in the country, and you get the world's fourth-largest clothing industry, according to the German Federal Office of Statistics' international department. •

ated major fashion fairs, it is held in early August.

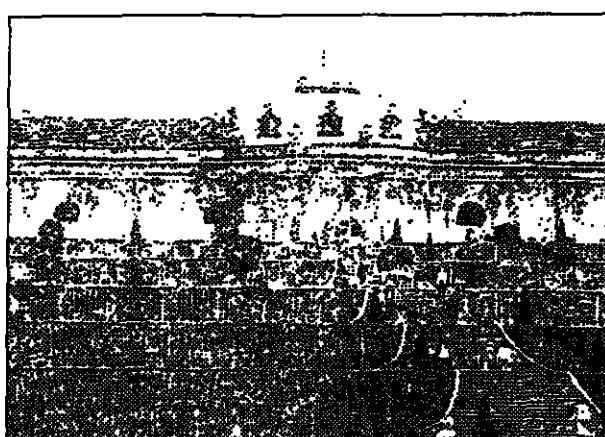
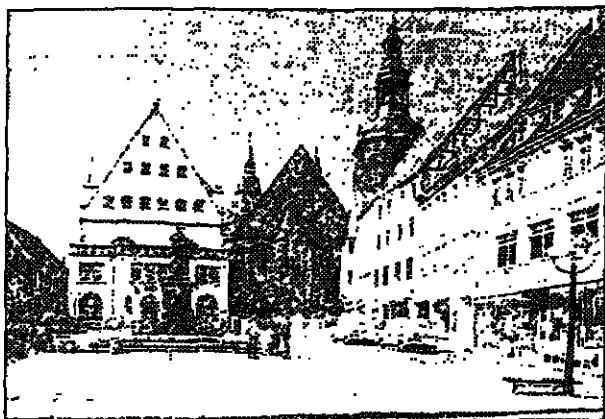
The clothing itself may be produced elsewhere, but trends in clothing — as in all matters of style — come from Berlin. Or so Berlin sees it. One incontestable fact is that nowhere else in Germany are so many young designers at work. And nowhere is the clothing more imaginative, even outrageous, than in the little boutiques of Prenzlauerberg, Mitte and Kreuzberg. The latest from Berlin: the "techno look." Many of its wild match-ups of colors, garments and accessories were to be seen in this year's Love Parade, held in June, which attracted 700,000 colorfully dressed participants.

Berlin may represent the current avant garde in Germany, but Leipzig and Dresden are looking to the future. The unbeatable low rents of their numerous lofts are attracting a large number of talented, would-be couturiers graduating each year from the local schools of design, of which Halle's is perhaps the best-known.

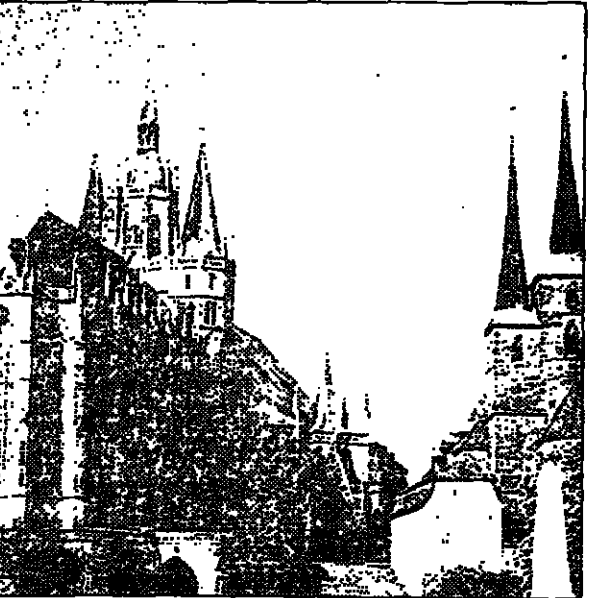
The smallest of the contenders, Metzingen, located just south of Stuttgart, has a single, potent asset. It is home to Hugo Boss

AG, whose name commands the greatest degree of international recognition of any line of fashion from Germany.

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From the intimacy of towns like Elisen in Saxony-Anhalt to the grandeur of Potsdam's Sanssouci Palace, Germany is full of sites for "culture travelers."



From city square to forest walk, from the riverbanks to the heavens: From top: Bremen, the Saarland, Hamburg and Erfurt, in Thuringia.

### TRADE PARTNERS TO THE EAST

In 1995, Central and Eastern Europe (CEE) registered its first full year of broad-ranging growth. This growth was led by Poland and Slovakia, with 7 percent increases in gross domestic products, closely followed by the Czech Republic and Slovenia. Respectable performances were also turned in by Estonia, Lithuania, Hungary, Bulgaria, Romania and Latvia. The region's largest country, Russia, traditionally Germany's leading trading partner in the region and recipient of over 105 billion Deutsche marks (\$70 billion) in German public and private-sector capital, showed unmistakable signs of a coming economic upswing.

One of the key engines of this growth was a rise in trade with the European Union, now accounting for between 60 percent and 70 percent of the imports and exports of most CEE countries. Germany accounts for half of all the EU's trade with the CEE.

In a related development, in 1995 Central and Eastern Europe became one of Germany's largest markets, larger even than the United States. Capping a 30 percent rise over the last two years, German exports to the region totaled 61 billion DM. Imports kept pace, rising to 58 billion DM.

The growth in trade has been facilitated by a large, two-way flow of investment capital. Over the last three years alone, German invest-

ments to the CEE region amounted to 28.5 billion DM. The countries of Central and Eastern Europe invested 11.5 billion DM in long-term capital in Germany during the same period.

These increases in trade and capital flow are partly the result of far-reaching association agreements between the EU and the 10 CEE countries, including all of the region's growth leaders, over the past five years. Nearly all of the other CEE countries now have free-trade agreements with the EU.

As Klaus Kinkel, Germany's foreign minister, points out: "The association agreements provide the 10 CEE countries with an increasingly broad scope and depth of access to the EU, which constitutes the world's largest market. This access has been impelled by the CEE countries' harmonizing of their legislation with that of the EU. It thus forms a prelude to eventual membership."

The prospect of EU membership for the CEE countries, strongly supported by Germany, has in fact greatly facilitated the economic and political reform processes these countries are undergoing. Much of these countries' recent legislation has been formulated and passed to harmonize with the EU's precepts.

Also important in boosting EU-CEE ties has been the upgrading of road links and border crossings.

The 1,500-kilometer (930-mile) Via Baltica, which parallels the Baltic coast of Germany, Poland, the Baltic countries and Russia, is now being transformed from a two-lane highway into a super-highway.

The improvement in transport links has also greatly benefited Germany's border towns. The walled city of Görlitz, Saxony, for example, although long considered one of Germany's "medieval jewels" and located on the Polish border, had few tourists and even fewer transit travelers during the East German era. Görlitz today is one of Eastern Germany's most widely visited cities. Until recently, the 250,000 tourists trying to get into the downtown area every year jostled with the auto-borne transit travelers — some 2 million in 1995 — striving to get through it. Further snarling transit traffic were the strict checks on the German-Polish border, the eastern boundary of "Schengenland," or the group of eight EU countries now actively participating in the Treaty of Schengen, which eliminates border controls.

The checks are still strict, but much of the congestion, fumes and noise have disappeared. In July, a new large-capacity border checkpoint was opened at Ludwigsdorf, 3 kilometers north of the city, on the path of a major east-west superhighway now being built. •

### TRAVEL OPTIONS IN THE SLOW LANE

Germany offers cycling, paddle wheelers, stagecoaches and a return to the days of steam engines.

Travel in Germany is high-speed: BMWs, Audis and Mercedeses zooming down the autobahns; ICE trains rolling along their tracks; Airbus landing and taking off at Frankfurt and Germany's dozen other international airports.

Travel in Germany is also a leisurely stagecoach ride from Alpine village to Alpine village, or a paddle wheeler bringing the traveler and his backpack downriver to the starting point of his great hike through some of the world's finest vineyards. In this kind of travel, time is measured in castles or medieval towns per day, or highlights per vacation, rather than kilometers per hour.

#### Lakeside cycling

Lakes and rivers invariably offer great scenery, and lakesides and riverbanks are generally flat. For these two reasons, Germany's waterside cycle routes are favorites with cyclists of all ages, nationalities and levels of athletic prowess.

The cycle route around Lake Constance, Central Europe's largest, passes through three countries and such wonderful towns as Konstanz, Lindau and Meersburg. The route's 150 kilometers (90 miles) offer spectacular views of the Alps and vine-covered hills. Other "great lakes" include Bavaria's Chiemsee (50 kilometers), whose islands are home to King Ludwig II's Herrenchiemsee palace and one of Germany's oldest churches. A variety of roads of varying quality parallel and cross Mecklenburg-Western Pomerania's Müritze, Germany's second-largest and most unspoiled lake.

Ride the Rhine, which is lined with cycling paths along its 850 kilometers in Germany. A favorite with tourists is the "Lorelei" segment, 62 kilometers long, between Koblenz and Bingen, Rhineland-Palatinate. Nearly as long and equally popular with cyclists is the Danube.

Another river favorite is the Elbe as it makes its way from the Czech border through the Sächsische Schweiz (Saxon Switzerland) to Dresden. Those wishing or needing a break can hop aboard the paddle wheelers plying the river.

The route along the Oder weaves its way through the wetlands forming the border between Eastern Germany and Poland, much of it now an international park. The routes through the Spreewald, the bayou country south of Berlin, zigzag even more. Many of them end in open water — and that's precisely the routes' charm. Where the road stops, the ferry trip begins.

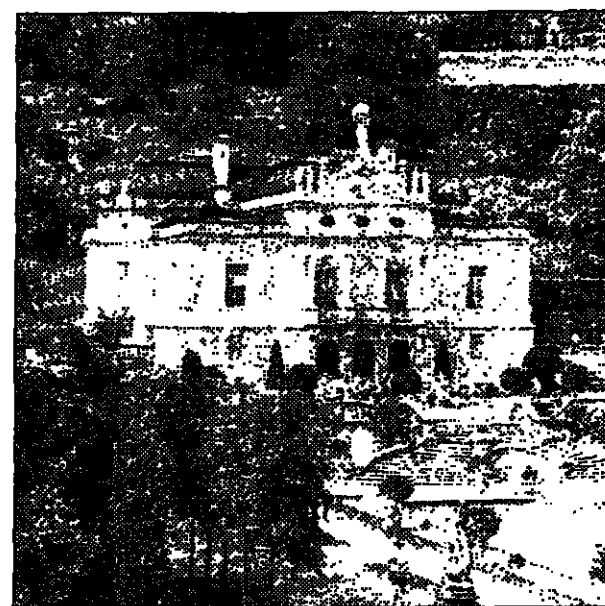
Similar bike-and-boat trips are available at the northern end of Germany, in the Holstein region, where cycle routes traverse dikes and moors. Water links are provided by steamships and skiffs. The main route is easy to find: just head down the east bank of the Elbe, as it makes its way north, seaward from Hamburg.

#### Vineyard hiking

Those looking to set a record for endurance should try the German Alps, which offer thousands of rugged kilometers and only an occasional inn offering basic fare. Few people hiking through Germany's wine-growing regions, on the other hand, can manage more than 20 or 30 kilometers a day. There are just too many distractions along the undulating, carefully tended paths: spectacular panoramas, half-timbered villages, gourmet restaurants and vineyards offering choice local wines.

The gracious university city of Freiburg is the starting point for the 80-kilometer Wilt-Wegli hiking path: in making its way south to the Swiss border, it traverses South Baden's Markgräflerland, sumptuous with vineyards producing renowned Gutedel, Müller-Thurgau and Nobling wines. Other attractions: the sun and Spätzle (egg noodles). The region's southern exposure gives it a balmy climate, at least by German standards, and the local cuisine is among the best the country has to offer.

The Weinstrasse, or Wine Route, is a road running north-south through the wine-growing region of the Rhineland-Palatinate, Germany's leading wine-producer. A favorite Sunday outing in Western Germany is driving down the Weinstrasse and buying a case of Riesling or Silvaner and



The Linderhof, in Bavaria.

having a meal in Deidesheim, St. Martin, Forst or in another of the storied wine-growing communities along the way.

Among the Weinstrasse's enthusiasts is Helmut Kohl, whose birthplace and residence, Oggersheim, is only 25 kilometers from Bockenheim, where the hikers' version of the Weinstrasse starts. The path's 85 kilometers run alongside the base of the Pfälzerwald's wooded slopes.

#### The Riesling Route

West of Frankfurt, with its skyscrapers and bustle, begins a region of villas, viniculture and venerable villages. Located on the north side of the Rhine, the Rheingau is traversed by the Riesling Route, which takes in Schloss Johannisberg, Kloster Eberbach, Schloss Vollrad and other cherished names in German wine-making. Interspersed among the vineyards are the villages of Rüdesheim, Oestrich-Winkel and other scenic Rhine-side tourist favorites.

There are no vineyards in the forbidding, wooded heights of the 1,300-meter mountain range whose crest forms the border dividing Central Europe's largest forest into the Bayerischer Wald (Bavarian Woods), the largest of Germany's national parks, and its Bohemian counterpart in the Czech Republic.

Until 1989, many of the forest's best hiking paths came to an abrupt end, severed by a wall of barbed wire fence and control posts. Today, the fence is gone. A number of border checkpoints have been set up in its place. They are there for the exclusive use of hikers and cyclists. Other transnational hiking paths run between Saxony and the Czech Republic and Bavaria and Austria.

Stagecoaches once transported mail and passengers throughout Germany. Today, the last scheduled services in Germany link the northern Bavarian spas of Bad Kissingen and Bad Bocklet (from May to October, information: 49 971 7157 450) and the Alpine resorts of Garmisch and Badersee (June-September, 49 8821 46 43).

Germany's steam-driven trains never died. They just went to dwell in the country's many railroad museums, from which they are brought out every summer to serve a wide variety of lines. The Deutsche Bahn AG (federal rail corporation) and Nuremberg's Museum of Transport offer 44 wonderful tours on steam-driven trains. These tours start at all of Germany's major cities and end up in such unforgettable destinations as the Harz mountains (situated in Saxony-Anhalt and Lower Saxony) and Rügen (Mecklenburg-Western Pomerania), Germany's largest island. For information: Deutsche Bahn AG, tel.: (49 69) 265 44 68, fax: (49 69) 265 3513. •







## INTERNATIONAL

# The Credit Lyonnais Debacle: The Banking Scandal That Refuses to Die

Continued from Page 13

nais would have seemed unthinkable in 1987 when Mr. Haberer was appointed to run the bank by President François Mitterrand, a Socialist. Mr. Haberer's credentials were impeccable. At 56, he was a superbly well-connected bureaucrat whose résumé included upper-echelon positions in the Finance Ministry and the private offices of cabinet ministers.

As such, he was a prominent member of the tiny caste of brilliant financial minds, often referred to as France's "mandarins," who manage the state's money. Members of this elite have interlocking careers, hiring and promoting one another, and they are encouraged to think ambitiously as they put French leaders' grand designs into effect.

The design for Credit Lyonnais crystallized quickly as Mr. Mitterrand was re-elected in 1988 and brought back a Socialist government on his coattails. Alarmed by growing German power in an increasingly integrated Europe, the government chose Credit Lyonnais — its two main rivals, Société Générale and Banque Nationale de Paris, had been privatized — as the bank that would be helped to surpass Deutsche Bank AG, Europe's leading financial house.

Such ambitions suited Mr. Haberer. Reflecting the grandeur of his role as France's strategic banker, a special "floating floor" was constructed inside the bank's lavish Paris headquarters so

that his office and private quarters would be isolated from street vibrations.

Anointed with extraordinary authority — he himself has acknowledged that the system was "monarchic" — Mr. Haberer expanded the bank's activities at a vertiginous rate, only to see the bottom fall out even faster once the strategy turned wrong.

No one has suggested that Mr. Haberer profited personally from any malfeasance at Credit Lyonnais. But officials in the Finance Ministry say the government feels compelled to seek some form of retribution to save public ire over the way state funds appear to have been squandered.

The bank's activities have spawned a score of criminal investigations, plus numerous lawsuits by Credit Lyonnais's new management seeking redress from the bank's former clients — so far with scant success in recovering funds. The continuing disclosures about losses have hurt the government's credibility when it appears to be getting ready to assume more of the bank's losses to make Credit Lyonnais commercially viable again.

Mr. Haberer's defense, stated during the 1994 hearings, is that he was only carrying out government orders in making foreign investments and putting money into ailing state-owned French industries. As a result, Mr. Haberer claims, his policy saved more than 50,000 French jobs. That plea has not convinced critics, who pointed out that the bank's failure

would cost taxpayers more than the price of saving those jobs.

More broadly, the allegation — repeatedly made in the hearings and widely echoed in the French news media ever since — is that Mr. Haberer let politics sway his management too much and too long. François d'Aubert, the conservative parliamentarian who first blew the whistle on the bank's activities, said in a recent interview that Mr. Haberer "got a blank check at Credit Lyonnais, and the Socialist government's friends in France and elsewhere in Europe got a lot of the funds and certainly a lot of the bad investments."

So far, Mr. Haberer has not had to answer questions publicly about whether he ordered loans as political favors. But in the view of Mr. d'Aubert, the collection of inquiries and civil lawsuits have produced evidence "of political connivance" between the Italian Socialist Party and people close to France's Socialists.

Too savvy to let itself appear partisan, Credit Lyonnais extended its almost limitless credit (the bank's slogan was "the power to say 'yes'") to a cross-section of French business. It helped restore the fortunes of Jean-Luc Lagardère, head of the Matra-Hachette conglomerate and close ally of Valéry Giscard d'Estaing, the conservative whom Mr. Mitterrand ousted from the presidency. It also was an early

backer of François Pinault, then an entrepreneurial newcomer, now a department-store king and close confidant of conservative President Jacques Chirac. It bought into Canary Wharf, the ill-fated London docks project touted by Prime Minister Margaret Thatcher.

But critics attach more importance to the number of disasters for Credit Lyonnais that involved allies of the Socialist government. Bernard Tapie, the flamboyant French entre-

**'Crazy Lyonnais' has become a symbol of financial catastrophe — a disaster that French taxpayers will have to pay 5,000 francs each to clean up.**

preneur who had won Mr. Mitterrand's favor, saw his credit grow unquestioned despite his increasingly conspicuous business difficulties. Mr. d'Aubert cites the construction of a vast office complex atop a new high-speed train station in the northern French city of Lille, whose mayor, Pierre Mauroy, had been Mr. Mitterrand's first prime minister. The space remains largely empty, but Mr. Mauroy is still mayor of Lille.

To accelerate the bank's expansion, Mr. Haberer acquired a string of subsidiaries and, as he himself told the parliamentary inquiry, let them operate on a loose rein. Almost all lost money for the bank, especially Mr. Haberer's personal choice, Althus Finance. Long touted as Credit

Lyonnais's high flyer, Althus, according to a recently completed government audit, actually ran up losses between 1989 and 1993 in excess of 20 billion francs.

Althus's main asset was a financial whiz kid, Jean-François Henin, who ran the company almost single-handedly. He was hired away from Thomson SA, a state-owned defense company, where he had acquired a dazzling reputation. His specialty was the

Althus acquired a disparate portfolio that ranged from 33 golf courses in the United States and luxury-goods houses to notoriously tricky businesses for newcomers such as waste management.

At least two Althus ventures — the Disco food-distribution chain and an offshore company offering tax breaks for investments in deprived French areas — have given rise to criminal investigations. But until 1993, Mr. Henin's results were concealed, apparently by false balance sheets, according to the recent government audit. Whether or not he realized what condition Althus was really in, Mr. Haberer continued to extol Mr. Henin's performance, on one occasion famously calling him "the Mozart of finance."

But Mr. Haberer boasted less about some of the bank's other clients, notably Giancarlo Parretti, an Italian-born businessman who set up shop in Paris in 1989 with an office in Socialist Party headquarters near the French National Assembly.

He had started his career as a money man for the Italian Socialist Party in Naples, where he left a criminal record for fraud. Proof of his conviction in Italy was obtained by French parliamentarians in 1990 as they sought to investigate Mr. Parretti's business activities in France.

Alain Giotteray, a member of Parliament, said at the subsequent hearings that he failed to understand how Credit Lyonnais could have chosen to work so closely with Mr. Parretti when Spanish and Italian officials were giving dire warnings about him to anyone who would listen.

Few people could seem more alien to the rarefied world in which Mr. Haberer moved, but Mr. Parretti came to occupy a large place in Credit Lyonnais's lending — and eventually the downfall of the bank stemmed from its role in financing his ambitions to become a movie mogul in the United States.

As described by Fortune, it was a colossal scam. In the space of two years, Mr. Parretti extracted more than \$2 billion from Credit Lyonnais, much of it to pay for his extravagant lifestyle. The \$9 million mansion in Beverly Hills, the brown Rolls-Royce, the private jet — all were paid for with Credit Lyonnais money.

Citing these details in an account of his rise and downfall, Fortune recounted Mr. Parretti's dealings with Credit Lyonnais. The magazine said it based its account on court documents in the United States — a frequent source of information about French financial scandals that otherwise go unreported in France.

In a series of lawsuits and countersuits between Mr. Parretti and Credit Lyonnais, many cases have been settled out of court, with records sealed at what is reported to be the bank's insistence. Fortune's reportage on the depth of Mr. Parretti's influence at Credit Lyonnais was based in part on interviews with investigators who had access to the proceedings and sealed documents.

In one deal related by Fortune, Italy agreed to buy high-speed trains from France partly on the condition that the French government persuade Credit Lyonnais to give Mr. Parretti favorable treatment in his movie business.

Fortune's assertion was based partly on an account by Florio Fiorini, a partner of Mr. Parretti who said he witnessed the transaction. Now in prison in Switzerland after being convicted of fraud, Mr. Fiorini produced a written statement about the episode for the magazine.

A go-between in this reported high-level backscratching between Italy and France, Fortune said, was the head of Italy's state railway, Lorenzo Nacci, who coincidentally was arrested in Italy this week on unrelated corruption charges.

Fortune quotes Mr. Fiorini describing in detail how he and Mr. Parretti gave bribes totaling more than \$500,000 to top aides of two Italian leaders at the time, Prime Minister Bettino Craxi and Foreign Minister Gianni De Michelis, after getting their promise to intervene with the French government. Mr. De Michelis denies the accusation; Mr. Craxi, who is living in Tunisia, has not commented.

Credit Lyonnais has denied any wrongdoing in any of its dealings and repeatedly said that it cannot help journalists interview executives, including Georges Vigon, who headed Credit Lyonnais's movie business during the Parretti affair. He resigned after the scandal broke.

Similarly, a lawyer for Mr. Parretti dismissed bribery ac-

cusations, suggesting that there must be some confusion with his personal generosity. "He gave gifts, which had little value," he said, "but expensive-looking presents by Picasso and other artists that he lavished on cooperative bankers turned out to be fakes."

The Fortune exposé, even though it has not been reprinted in the French press, caused anxiety in French political circles and apparently contributed to the government's decision to seek indictments.

Mr. Haberer, in his rare statements, has tried to distance himself from dubious decisions by his subordinates: in the parliamentary hearings, he said that he was unaware that the funds — which came from a Dutch subsidiary, Rotterdam-based Credit Lyonnais Bank Nederland — were being funneled through shell companies to disguise the amount of money going to a single customer, Mr. Parretti.

Asked why he ignored a letter from the Dutch banking authorities admonishing Credit Lyonnais to reduce its exposure to Parretti-controlled companies, Mr. Haberer told the inquiry that he was too busy to keep tabs on every customer — even though Mr. Parretti had by this time become the bank's largest single borrower.

The hearing was told that Mr. Haberer ignored warnings from officials of other European countries that Mr. Parretti was involved in unsavory activities.

The crunch came when Mr. Parretti turned the bank's stake into a lever to double his credit. Caught in cliff-hanging negotiations to buy the Hollywood studio Metro-Goldwyn-Mayer, Mr. Parretti talked the bank into doubling its \$1 billion stake by lending money to phony companies he owned so that he could close the deal.

At that point, Credit Lyonnais became the largest foreign investor in Hollywood, which at the time was being constantly lambasted by France's Socialist government as a cultural imperialist bent on exterminating French films. It

was an irony that Credit Lyonnais could live with as long as it remained a silent partner in the Parretti empire.

But the MGM takeover proved to be a deal too far and backfired almost immediately. Barely five months after he acquired MGM, Mr. Parretti was confronted by disgruntled creditors who threatened to drive the studio into bankruptcy. Credit Lyonnais, Fortune said, feared that an investigation by bankruptcy examiners or U.S. regulators would expose the full extent of the bank's relations and jeopardize the bank's investment. The French bankers decided to oust Mr. Parretti, a step that they considered dangerous enough to take armed guards to all their meetings with him.

In the end, Credit Lyonnais got possession of MGM, the sole salvageable asset in the deal. But the bank was stuck with a white elephant that it took four years to unload. Last July, MGM was sold at an estimated \$1 billion loss by Credit Lyonnais — or rather by a French government company set up to hold the bank's bad investments. The buyer was Kirk Kerkorian, the U.S. businessman who had sold the studio to Mr. Parretti.

The MGM scandal provoked the investigations that uncovered the dimensions of the bank's overall losses. The shock waves led to the hearings and subsequent investigations that produced widespread criticism on two main counts.

One is "megalomania," as Mr. d'Aubert phrased it, on the part of Credit Lyonnais's management and the other is "taxity in controls liable to foster abuses," according to the recent auditors' findings. Already in the hearings, bank officials were insistently questioned about a pattern in which Credit Lyonnais or an affiliate granted loans to companies that proved to be on the verge of bankruptcy.

Parliamentarians were clearly suspicious that these loans could in some cases be fraudulent transactions in which Credit Lyonnais money was funneled to dubious businessmen who paid a commission to their Credit Lyonnais-connected banker, hid the loan's proceeds and then promptly went out of business. This technique

would leave Credit Lyonnais with an irrecoverable bad loan — which French taxpayers are now making good as the government tries to put the bank back on its feet.

Challenged in the hearings about his business strategy, Mr. Haberer said in his defense that no one objected to his management until the bank foundered in the unexpectedly deep recession.

But parliamentarians rejected this idea, insisting that the system itself was wrong. French officials were made to admit — grudgingly, but unambiguously — that such risky business was fostered by the special conditions that prevailed at Credit Lyonnais.

A private company could have made the same mistakes as Credit Lyonnais, but it would probably not have gone so far, because it would have been forced to start cutting its losses sooner," said Pierre Gisserot, a French official.

That raised the question, still under debate in France, of why the bank's troubles were overlooked for so long by its nominal supervisors among the Finance Ministry's top officials, including Jean-Claude Trichet, now the head of the Bank of France.

In investigating the lack of accountability, the hearing even with some passages deleted in the published version, affords a rare glimpse into the workings of government-business ties in France. Overall, the testimony suggested this view:

Contrary to much conventional wisdom, state ownership — at least at Credit Lyonnais — did not imply bureaucratic interference that hobbled management. In fact, quite the opposite was true: It licensed extraordinary audacity, with few if any of the checks and balances that are built into most large businesses today.

In practice, no one looked over Mr. Haberer's shoulder. Cabinet ministers were too busy or did not dare, and his fellow mandarins in the bureaucracy obeyed a code of silence against calling into question the competence of a member of their caste, the hearings showed.

The management style at Credit Lyonnais was even more aloof than might be implied by Mr. Haberer's characterization of it as "monarchic." Managers had to stand during staff meetings to discourage tedious, pedestrian speeches liable to bore superior intellects.

Reflecting the general deference to France's best and brightest civil servants, government auditors concentrated on small banks and ignored big companies such as Credit Lyonnais. In testimony, outside directors said that they were told about major decisions only when it was too late to query them.

However distant Mr. Haberer claims to have been from Mr. Parretti, he and Mr. Henin alone — by Mr. Haberer's own account to the inquiry — orchestrated the policy that is now known to have led to disastrous overinvestment at Althus. Sharing an aloof management style, the two men met for brief chats about Althus for a few minutes once a week "when possible," Mr. Henin told the hearing.

These fleeting sessions focused on Althus's next audacious move, apparently with no time to notice a trend, reported in an earlier government audit that has led to investigations, that each new deal seemed to involve more consultants with bigger fees for less obvious purposes.

That practice of paying outsiders to bring in business and then paying them to handle it was examined more closely in the recent government audit of Althus, with the conclusion that the bank ignored normal banking practices.

An internal Credit Lyonnais report cited in the French news media described the bank's year-end accounts as "true, but not reliable."

Mr. Haberer has already made the point, at parliamentary hearings, that it was standard procedure in France for major institutions to doctor their figures with an eye to protecting confidence in the French banking system. The parliamentary inquiry was told that Paris banks routinely used to connive among themselves to decide among themselves which one would announce the best annual results.

That defense would sound very different, however, if government prosecutors were to produce evidence of fraud as an explanation for misleading annual balance sheets.

In any case, it is always a slow, tricky business to amass proof about financial malfeasance in complex international corporate affairs, so a trial is bound to be long in coming — and liable to be messy when and if it does.

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5. Finally, after you hear the tone, press "start" on your fax machine and replace the handset. Your information will be entered securely.



## WORLD ROUNDUP

## PSG Stays Unbeaten

**SOCCER** Julio Cesar Dely Valdes, the Panamanian striker, saved Paris-Saint Germain's unbeaten record with a 67th-minute equalizer in the French first-division leader's 1-1 tie Wednesday at Lyon. Bastia was held to a 0-0 draw at home by Nantes.

In Bordeaux, the former PSG defender Franck Collette was ejected in a controversial ending to his new club's surprising 2-1 defeat at home to lowly Strasbourg. Collette protested a penalty awarded to the visitors five minutes into injury time.

Auxerre beat Monaco, 2-0, with a 47th-minute strike by Bernard Dionede and an own-goal by defender Emmanuel Pet 18 minutes later. Marseille's Italian defender, Ivan Franceschini, was also given his marching orders, sent off in the 45th minute of his team's 2-1 home victory over Guingamp. (Reuters)

## Ravanelli Not for Sale

**SOCCER** Middlesbrough on Wednesday ruled out any chance that Fabrizio Ravanelli would move to Manchester United, saying the Italian striker was not for sale.

Ravanelli, the leading scorer in the English Premier League with 10 goals, sparked controversy Tuesday when he told Italian reporters in Florence that Manchester United was seeking to secure his transfer from Middlesbrough. Published reports in Italy said United was offering \$16 million to land Ravanelli on a four-year contract. (AP)

## Victory for Davenport

**TENNIS** Fresh off a Federation Cup victory for the United States, Lindsay Davenport overcame jet lag Wednesday to defeat Barbara Schett of Austria, 6-4, 7-5, in the Leipzig Open.

In second-round matches, Iva Majoli of Croatia defeated Silvia Farina of Italy, 6-4, 6-2, and unseeded Helena Sukova of the Czech Republic upset the eighth seed, Karina Habšudova of Slovakia, 7-5, 6-7 (0-7), 6-2. (AP)

Yevgeny Kafelnikov defeated Petr Korda of the Czech Republic 6-4, 6-2, in the second round of the Lyon Grand Prix on Wednesday. Thomas Enqvist, seeded fifth, beat an Italian qualifier, Gianluca Pozzi, 6-3, 6-3. (Reuters)

## Buried by the Angels

**BASEBALL** A regularly scheduled Dallas-to-Phoenix flight on America West Airlines was in the air for about 25 minutes Sunday when the pilot turned back to pick up the California Angels baseball team, whose charter flight had been grounded by mechanical trouble.

At first, excited passengers believed they would be sharing the flight with the ballplayers. They soon learned otherwise when the plane landed and the captain reminded them to take their luggage. "We were all just stunned, flat-out flabbergasted," said Jeri Chapman, 41, said. "They can't commandeer a plane like this. We're paying passengers. What are we, inmates?" Most of the 53 passengers had to be hooked on other airlines. "Dear village idiot," another passenger, Bobby Williams, wrote in a fax to America West. "May your airline go belly up as soon as possible so a more qualified group can assume your routes." (AP)

Orioles Down Indians  
For a 2-Game Lead

## Rangers and Cardinals Triumph

This time, the umpires sided with the Baltimore Orioles. And once again, a player named Alomar was in the middle of it.

Cal Ripken scored the tiebreaking run on a disputed play in the eighth inning, and the Baltimore Orioles beat the Cleveland Indians, 7-4, Wednesday for a 2-0 lead in their best-of-5 American League playoff series.

Baltimore moved within one victory of becoming the first wild-card team to advance, pushing the defending AL champions to the brink of elimination. Game 3 will be played Friday in Cleveland.

Brady Anderson homered for the second straight day, helping the Orioles take a 4-0 lead. Albert Belle homered as the Indians rallied, tying it with a run in the eighth. But Baltimore bounced back amid controversy in the bottom of the inning.

Bobby Bonilla drew a leadoff walk

from Eric Plunk and Cal Ripken, in his first playoff series in 13 years, hit a ground-rule double. Eddie Murray was given an intentional walk to load the bases.

Paul Assenmacher relieved, and B.J. Surhoff to hit a bounce back to the mound. Assenmacher threw home for a forceout, but the throw to first base from catcher Sandy Alomar to complete the double play went awry.

The wild throw allowed Ripken to score for a 5-4 lead, and brought the Indians' manager, Mike Hargrove, out of the dugout to discuss the play with the plate umpire, Greg Kosc.

Hargrove argued that Surhoff was running on the wrong side of the baseline, illegally impeding Alomar's throw to first, but to no avail. Replays cleared showed Surhoff to the left side of the baseline as he approached the bag, backing up Hargrove's argument.

Once play resumed, Anderson hit a sacrifice fly and Roberto Alomar added an RBI single.

Rangers 6, Yankees 2 David Cone crouched on the mound, turned his tired eyes toward the left-field fence to watch another home run drift into the dark night. He looked lost.

There were 57,205 pairs of aching eyes staring at left field along with Cone after Juan Gonzalez and Dean Palmer smashed homers to ignite a four-run fifth inning that catapulted the robust Texas Rangers to a 6-2 victory Tuesday night over the stunned Yankees. Suddenly, the Yankees are worried about their special season. They should be.

With the resilient Cone pitching, with the record-setting crowd at Yankee Stadium howling and with the decent but hardly imposing John Burkett pitching for the Rangers, the Yankees certainly looked at Game 1 as a mismatch.

But they never figured that the mismatch would favor Texas, that Burkett (2 runs, 10 hits, 7 strikeouts, 1 walk) would pitch a complete game and that the Yankees would turn Andy Pettitte's start in Game 2 on Wednesday night into a critical affair in the 3-of-5 game series. The Yankees have to win on Wednesday night before the playoffs shift to the Ballpark in Arlington, Texas.



Roberto Alomar, the Orioles' second baseman, throwing to first after the Indians' Kenny Lofton was called out.

for the last three games of the series. "It's a difficult situation to be in," Cone said after being battered for six runs and six hits in six innings. "That being said, we're not dead yet."

Not yet, but the Rangers were not expected to stifle the Yankees in the Bronx. They did because of Gonzalez's three-run homer, Palmer's two-run shot, Burkett's tenacity in limiting New York to one hit in 12 at-bats with runners in scoring position, Palmer's sweet diving play at third base that helped throttle a first-inning rally and Cone's inefficiency.

A dejected George Steinbrenner shuffled by two reporters and said simply, "We got our fannies whipped."

Cardinals 3, Padres 1 Gary Gaetti cranked a three-run home run in the first inning to help give St. Louis a victory over the San Diego Padres in the opener of their National League playoff series.

Gaetti, who signed as a free agent

with the Cardinals last winter after spending the previous three seasons in Kansas City, nailed a hanging 1-1 slider from Joey Hamilton for the three runs that stood up Tuesday night.

Todd Stottlemyre exorcised his own postseason demons by stifling the Padres into the seventh inning, and the bullpen tandem of left-hander Rick Honeycutt and closer Dennis Eckersley did the rest.

Eckersley struck out Chris Gomez with a runner at second to end the eighth and ended the game by stabbing a hard ground ball by Tony Gwynn for the final out with runners on first and second. It was Eckersley's 12th career postseason save. After a day off Wednesday, the teams will play Game 2 on Thursday in St. Louis.

Hamilton had a 3-1 record and a 1.80 earned run average in five career starts against St. Louis. But Tuesday the hard-throwing right-hander got behind early in his first career postseason start, serving up a three-run home run to

Gaetti with two outs in the first inning. Hamilton worked himself into trouble after Willie McGee grounded into a double play. Hamilton hit Ron Gant with a pitch then yielded a single up the middle to Brian Jordan.

Gaetti, who clubbed 23 homers during the season, brought everybody in by crushing a 1-1 slider up and over the plate into the right-field seats. The blast was Gaetti's sixth homer against the Padres this season and his fourth career postseason home run.

Hamilton, with a staff-leading 15-9 with a 4.17 earned-run average during the season, could have become unnerved but did not. He did nothing more to soil his first postseason start, keeping the Cardinals scoreless over the next five innings.

That created a pitchers' duel with Stottlemyre, who had allowed only three base runners in keeping the Padres scoreless before Ricky Henderson led off the sixth inning with a home run to left field. (AP, NYT)

## When Does the Punishment Fit the Crime of the Athlete?

AMERICAN athletes just don't realize how nice they have it—nicer, for sure, than the junior soccer team playing in Romania last weekend.

It was the afternoon of the Sabbath, and the boys, trying their best, were probably wishing they were in church. A church with a big door locked tight.

With the score 16-0 for the opposing team, some guys' faces showed that Athletic Bucharest would lead the stadium naked if they lost the game 18-0," reported the daily newspaper Evenimentul Zilei.

Apparently, the threat had the ring of truth, because the boys sprinted off the field with two minutes still to play. Well, what would you do if the crowd was promising to strip you? They might tar and feather you while they were at it.

Here was the thing: No sign of sympathy or promise of security was offered. Instead, the club was fined 50 million lei (about \$14,500) by the Romanian soccer federation.

"We're very sorry for Athletic, but we had to apply the rules, which are the same for everybody," a federation spokesman said.

Which brings us to someone named Roberto Alomar, the baseball millionaire in his early 20s who recently spit in an umpire's face and later

claimed that the umpire had become bitter since the death of his 7-year-old son. Alomar was suspended for five games. By appealing, he was able to delay the suspension, at least until a hearing to be held on Thursday. At the moment Alomar is busy leading the Baltimore Orioles through the lucrative postseason.

In order to school U.S. athletes, at least those who claim to be role models, every American sports star earning \$1 million ought to be wakened in the middle of the night and led like Scrooge on a tour of how life would have been elsewhere—say, in Alomar's case, if he had been reared in Europe.

If he had been steadfast about playing a team game with a bat, then he would have become a cricketer. For him that would have meant an annual salary of less than he earns from five American baseball games during the 162-game season.

If he were a European soccer player of similar ability, he would probably be earning around \$1 million—low-rung by baseball standards—and the punishment for his crime would be more draconian. No such consequences await in Alomar's country, because the players run the show there.

## Vantage Point/IAN THOMSEN

The rest of the world is not always so enlightened. Who knows how long Alomar's suspension would be for spitting in a referee's face in Europe? It's safe to say that it would probably run longer than five games if the crime resulted in the public outcry that has surrounded the incident in the States. In Europe, the club might agree to invoke the suspension immediately.

When Eric Cantona leaped a fence to kick a fan in the chest last year, he was suspended for eight months and lost his place and captaincy on the French national team. Not long afterward, Vernon Maxwell, a guard for the National Basketball Association's Houston Rockets ran off the court and up the steps into the crowd to strike a fan. Maxwell was suspended for only 10 games and fined \$20,000, pocket money for him.

The managers of European clubs exercise discipline over their players; the same kind of discipline that was plundered by free agency in American baseball and basketball. U.S. football coaches can still afford to be ruthless, because there is so much player turnover in their sport.

Sure, player revolts and passive resistances still lead to the firing of European managers—but but the

players are neither as organized nor as audacious, and the managers not nearly as timid, as their American counterparts have become.

As ever, it comes down from the top. The czar of global soccer is Joao Havelange, president of FIFA, the international soccer federation. He can run his sport as he likes without fear of an international court overturning him. In Alomar's America, however, the legal system ensures that the player's rights are paramount. For the good of the game, there are supposed to be checks and balances, but the baseball owners have sacrificed those in their squabbling of recent years.

To say that the American stars are coddled isn't entirely accurate, either. If Alomar had been implicated in a gambling scandal instead, you can be sure the punishment would have been severe. A few years ago the star outfielder Lenny Dykstra earned a year's probation from baseball just for playing cards with a professional gambler. Also, in American sports there is nothing worse than the mere hint of fixing games. In England, by comparison, the star soccer goalkeeper Bruce Grobbelaar has been under investigation for almost two years for doing just that. His case has yet to be resolved. Yet in the meantime he has been free to keep playing.

If he were a professional athlete in America, he most likely would not be allowed that freedom.

## CROSSWORD

ACROSS

10. City in France  
11. French word for "to be"  
12. Parisian district  
13. Parisian district  
14. Parisian district  
15. See each  
16. French word for "to be"  
17. French word for "to be"  
18. French word for "to be"  
19. French word for "to be"  
20. French word for "to be"  
21. French word for "to be"

DOWN

1. First name of a Frenchman  
2. Extra long  
3. Stable late in  
4. "Excuse" here  
5. Put the lid back on  
6. First straight  
7. Frenchman  
8. A S.A.P.  
9. Water  
10. Contamination  
11. Agnès's  
12. You—  
13. "I haven't"  
14. French word for "to be"  
15. French word for "to be"  
16. French word for "to be"  
17. French word for "to be"  
18. French word for "to be"  
19. French word for "to be"  
20. French word for "to be"  
21. French word for "to be"

## The Alomar Incident Is Far From Over

By Murray Chass  
New York Times Service

UNDER a deal brokered by a Philadelphia judge, major-league umpires went to work Tuesday—17 minutes late. However, their dispute with the American League over the suspension of Roberto Alomar for spitting in an umpire's face is far from over.

If Alomar does not withdraw his appeal of the five-game suspension, which he may do, the lawyers almost certainly will be back in court on Friday.

Lawyers for the American

and National Leagues and for the umpires went to federal court Tuesday. The leagues wanted Judge Edmund Ludwig to block the umpires from carrying out a threat to strike the playoff games, which opened Tuesday. The umpires' association had voted not to work unless Game Budig, the American League president, ordered Alomar, the Baltimore Orioles' second baseman, to serve his suspension during the playoffs.

Rather than rule on the leagues' request for a temporary restraining order, the judge led the two sides into an agreement, talking by

telephone to Bud Selig, the acting commissioner, to hasten it. The agreement called for Budig to hear Alomar's appeal Thursday and for the umpires to work the first two games of each of the four playoff series.

The agreement, reached shortly after noon, prompted the six-man umpiring crew for the first game between the Orioles and the Cleveland Indians to go the few blocks from its hotel in Baltimore to Camden Yards. The American League had lined up other umpires to work the game if the regulars did not appear, but they were sent home.

The game began at 1:24, 17 minutes late.

The one-page agreement, signed by Richie Phillips for the umpires and William Schweitzer for the leagues, stipulates, "If hearing is held and appeal decided on Thursday, umpires will work for rest of postseason." If the hearing is not held, it goes on to say, court proceedings will resume Friday.

"We'll abide by his decision," one of the umpires, Drew Coble, said in Baltimore, referring to Budig. "All we wanted was a hearing. We just didn't want it swept under the rug until next season. We definitely want to work."

The agreement said nothing about the timing of the

suspension or whether Budig even has to uphold it, but Phillips, the umpires' lawyer, said that if the league president did not both uphold the suspension and order Alomar to serve it immediately, he would violate the "spirit of the agreement," sending the two sides back to court.

"The court understands what I mean by the spirit of the agreement," Phillips said, speaking by telephone from his car as he drove to New York for the Yankees' first playoff game against Texas.

"We're looking for a fair hearing; we're looking for the imposition of the penalty at the appropriate time rather than at a deferred time."

Neither Alomar nor the Players Association was represented in Philadelphia—they learned of the development after the fact, and that is where the agreement is most likely to fall apart. For one thing, the players' union Tuesday would not commit to going ahead with the hearing as scheduled, at 10 A.M. in New York. Gene Orza, the union's associate general counsel, said he would discuss the matter with Alomar, whose highly uncharacteristic action in spitting on the umpire John Hirschbeck in Toronto last Friday night triggered the dispute.

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## ART BUCHWALD

## Talking Up My Book

WASHINGTON—Memo to Judy Miller, Publicity Department, Puntam's:

Dear Judy:

Just finished the TV show you booked me on.

They didn't want to talk to me about Paris—the subject of my book—they only wanted to talk about O.J. Simpson.

The talk-show producer said that ratings go sky high when they discuss O.J. and into the cellar when they talk about anything else. You'll be happy to know that I picked up on this early and handled myself very well.



Buchwald

The host, Robert Leddy, said, "You knew O.J. Simpson personally, didn't you?"

I replied, "We both went to USC at different times, but Trojans are bonded for life by their DNA."

Leddy asked, "When you saw O.J., what did the two of you talk about?"

"Paris. He was nuts about Paris, and he could do 20 minutes on the Eiffel Tower if you raised the subject. I don't think I ever met a Francophile as fanatical as he was."

"Did he ever mention carrying a duffel bag?"

"Once did. He said that he always carried one when he went to France so that he didn't have to wait at the baggage-claim area."

"What kind of food did O.J. eat at USC?"

"Only French. He once said to me while we were watching a Notre Dame-USC football game, 'I'd do anything for a plate of frogs' legs right now.' Another time he

told me that he had never eaten a bad snail during all his visits to Paris."

"That sounds like O.J.," Leddy said. "Never complaining, never explaining and always sticking to snails for the first course. When you two were in Paris, was there anything wild that O.J. said he wanted to do?"

"Well, one day we're on the Champs-Élysées and O.J. said, 'There's nothing more I would like than to jump in my white Bronco and tool around the Arc de Triomphe and scare the hell out of the French.' I said, 'Wow!'—because Americans just don't have the nerve to do things like that. But that's what it was like with O.J. when he was touring Paris. Can we talk about my book?"

"In a minute. What do you think of the jury's verdict in the criminal trial?"

"I believe that it would have been different had it been held at Napoleon's Tomb. The jury would not have been as biased against Marcia Clark in her summing up. Would you like to hear about the time I attended Grace Kelly's wedding?"

"Not yet. Do you think that O.J. was set up by the L.A. police department?"

"Well, he certainly wasn't set up by the Paris police."

"If you knew then what you know now about O.J., how would you treat him differently?"

"I might go for a walk with him along the banks of the Seine or take him to the Louvre before we went to Maxim's for onion soup. Say what you will about O.J., the man was crazy about onion soup in Paris."

Leddy said, "That's all the time we have. Thanks again for talking to us about your book."

—A.B.

## Love, Hate and, Finally, a Marriage of Reason

By Jonathan C. Randal  
Washington Post Service

**B**ERLIN — A wide-ranging exhibition here goes a long way toward explaining why France and Germany fought three wars between 1870 and 1945 and how they have since forged Europe's most crucial and durable alliance.

Hundreds of documents, paintings, sketches and memorabilia chronicle the idealized virtue and caricatured villainy that punctuated Franco-German enthusiasms and hatreds in the 19th century. And with that emphasis on past excess, the show at the Martin-Gropius-Bau helps account for the success of the two countries' current emotional relationship, which seems more dependent on flourishing trade and official ties than popular backing and mutual knowledge.

Entitled "Marianne and Germania," after the symbols of France and Germany, the exhibition, which runs through Jan. 5, traces the relationship back to the initially ecstatic impact of the French Revolution on German intellectuals and artists, which was abruptly undercut by Napoleon's conquest of German lands in 1806. On display, for example, is a revolutionary document conferring honorary French citizenship on two German intellectuals, and Beethoven's dedication of his Eroica symphony to Napoleon—subsequently messily erased after France disappointed him by crossing the Rhine.

That was to become an often-repeated pattern of attraction and repulsion. Three generations later, after France itself was invaded in 1870, an outraged Gustave Flaubert wrote of the conquering Germans: "I have maintained against these gentlemen a rancor so profound that you will never see me in the company of any German whatsoever."

Yet the 19th century also saw fervent—if often idealized—bonds of admiration forged between intellectuals of the two countries. Early in the century, Madame de Staël's pervasively flattering work, "About Germany," inculcated romantic impressions of German culture and mores in many of the French. And in 1830, the German poet Heinrich Heine sought refuge and intellectual sustenance in Paris.

The failed revolutions of 1848 in France and Germany marked the last time in the 19th century that Marianne and Germania were on excellent terms. France's defeat in 1870, the proclamation of the German Em-

pire in the royal palace of Versailles outside Paris and the loss of Alsace and Lorraine served to fuel French revanchism.

A French painting from 1871 depicts three French women in the Alsatian capital of Strasbourg unwilling to accept German rule. They are shown defying their new masters by dressing in the blue, white and red colors of the French flag. Another French picture a generation later portrays Napoleon on horseback appearing from the heavens to the consternation of German officers celebrating an anniversary of their 1870 victory. But the cutting edge of the hatred between Paris and Berlin is most effectively underscored by more than 100 caricatures illustrating the increasingly dark suspicions and designs nurtured between the two countries before, during and even after their three wars.

Countess Marie Louise von Plessen, the German historian who spent two years organizing the show, insists that it deliberately avoids judging who won and who lost the titanic 19th-century struggle between Republican Marianne and Teutonic Germania. But in an interview, she allowed that, for her, almost two decades spent in France tipped the balance in favor of Marianne, "because the French got the Republic" long before the Germans, who had to wait until the end of World War I.

"Up to the war of 1870," she said, "the French generally admired the Germans, but now it's the Germans who somewhat idealistically envy the French for defending their own culture and language and maintaining the pleasures of daily life from good food to clothes."

André Sauder, a young political scientist at the German Foreign Affairs Society, described the close relations ushered in by German Chancellor Konrad Adenauer and France's Charles de Gaulle in 1963 as an enduring "marriage of reason."

"The withering emotional involvement between France and Germany arguably is not such a bad thing," he said. He noted that each has become the other's most important trading partner, and without their partnership "nothing gets done in Europe."

But since German reunification at the end of the Cold War, he added, France instinctively fears it will be marginalized and worries that its powerful neighbor was shedding the junior-partner status that long obtained. In the past, that imbalance has persuaded more Germans to learn French than vice versa.

Still a major bone of contention is the



Marianne (left) and Germania: Berlin show chronicles neighbors' ups and downs.

ingrained French concept of the strong state as symbol of the nation and the German desire, born of Nazi excess, to submerge nationalism in supranational European institutions. Yet, for both countries the need to compromise grows more imperative, Sauder said, as they and their 13 European Union partners come to grips with such difficult questions as monetary union and opening their ranks to would-be members.

But Joseph Rovon, a veteran historian who has devoted his career to the cause of improving French-German relations, is sat-

isfied that "the balance sheet is more positive than I could have hoped for" in the ruins of World War II. "With history you can never be sure of anything," he said. "But I doubt that the present state of relations could be reversed."

Buttressing such relative optimism are modern institutions that alter the centuries-old European game of the balance of power depicted in the exhibition. "Shifting coalitions now settle their differences in the structured framework of the EU Council of Ministers," Sauder said, "not by arms."



**SUPERMOM** — Melanie Griffith biking in Malaga, Spain, a week after giving birth to a daughter.

**Y**OU thought you'd heard everything? Gargoyles caricaturing Queen Elizabeth and members of her family have been added to the spire of a London church. The carved stone figures represent the queen, Prince Charles, his son Prince William and others in the style of the popular satirical television program "Spitting Image." They adorn St. John the Divine, a Gothic-style church in the rough Brixton district. "It was intended as fun and the queen has been very supportive," said the vicar, the Reverend Lyle Dennen. "Traditionally gargoyles are to ward off evil, but they are also representations of things and people who are important to the church and community." The restored 130-year-old church has more than 60 gargoyles on its spire, including representations of the vicar, a Brixton teacher and a young boy who was murdered by drug dealers.

A lawyer for Michael Jackson has denied in court that the self-proclaimed "King of Pop" spied on employees at his Neverland Ranch. "There have been terrible allegations here about eavesdropping. There was none, no bugging of the house, no bugging of the telephones," the attorney, Steve Cochran,

told the jury in Jackson's civil trial. The two men and three women suing Jackson claim they were fired in 1994 after months of threats, sexual harassment and intimidation by six other ranch workers named with Jackson in the lawsuit. The five say they were pressured after testifying before a grand jury investigating charges that Jackson sexually abused children who were his guests; the charges were dropped in 1994 after Jackson paid an out-of-court settlement to one alleged victim's family. The plaintiffs' attorney testified last week that Jackson had been obsessed with security and secrecy, bugging telephones and commissioning eavesdropping walls.

Sharon Stone will play Princess Grace of Monaco in an Italian TV movie, its director, Gianni Volpe, said in Rome. Filming of the story about the life and loves of the former Grace Kelly, who died in a 1982 car crash on the French Riviera, is due to begin Oct. 21.

Donald Forst, former New York Newsday editor, has been named editor of The Village Voice. Forst, 64, succeeds Karen Durbin, who resigned last month. Forst edited New

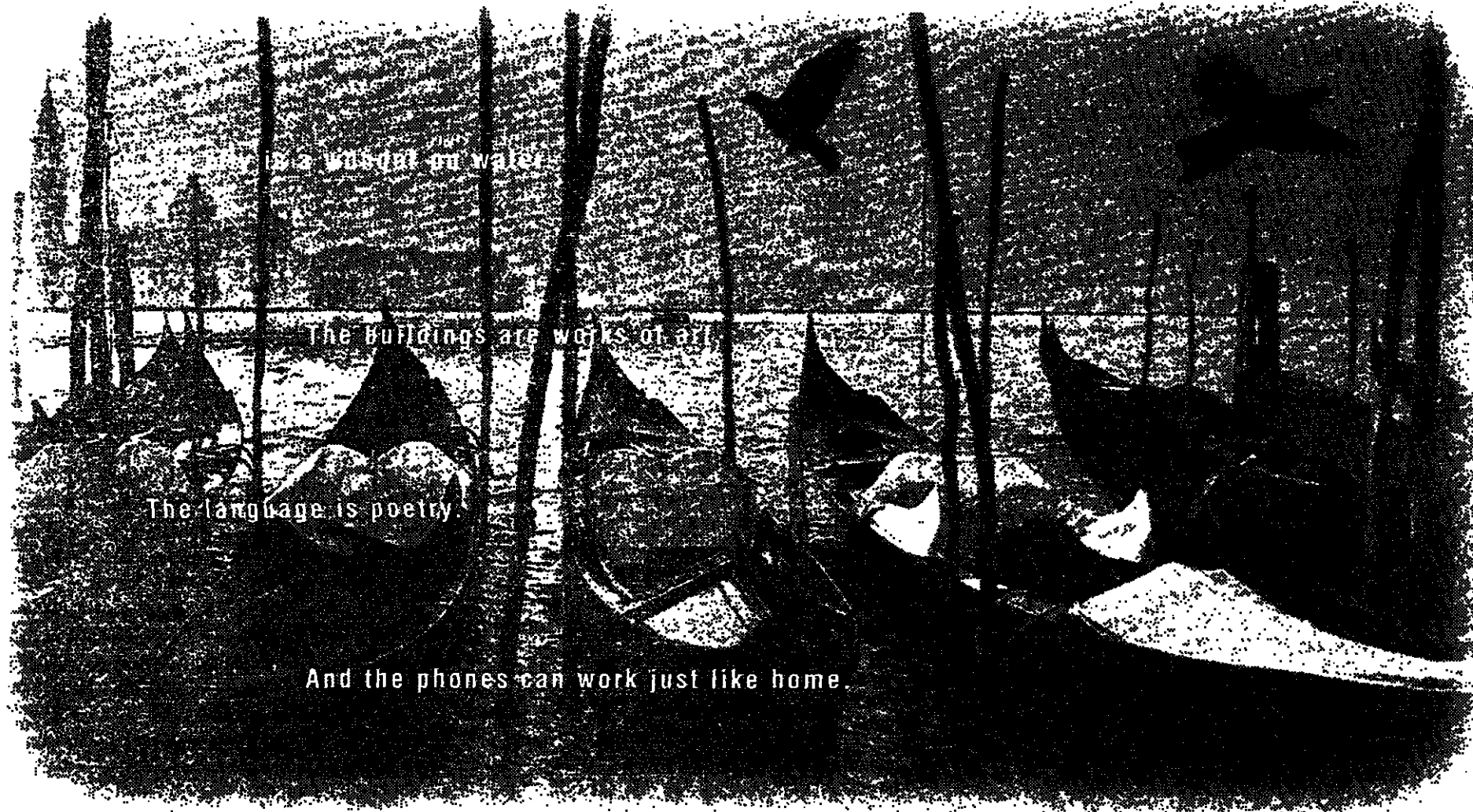
York Newsday from 1985 until the paper closed last year; under his leadership, the paper won two Pulitzer Prizes. In his 40-year career, Forst has also worked as an editor at Boston magazine, the Boston Herald American, the Los Angeles Herald Examiner, The New York Times and the New York Herald Tribune.

Beryl Bainbridge and Graham Swift are odds-on favorites among six authors short-listed for Britain's Booker prize. Bainbridge was nominated for "Every Man for Himself" and Swift for "Last Orders." The bookmakers William Hill listed both as 5-2 favorites to win the fiction prize. Others on the shortlist are Seamus Deane's "Reading in the Dark," Margaret Atwood's "Alias Grace," Shena Mackay's "The Orchard on Fire" and Robin Mistry's "A Fine Balance." The winner will be announced Oct. 29.

Heidi Fleiss, the "Hollywood Madam," has been ordered to enter a residential drug rehabilitation clinic after she admitted violating terms of her bail by using illegal drugs. Fleiss, who was brought into court in handcuffs and looked haggard after a weekend in

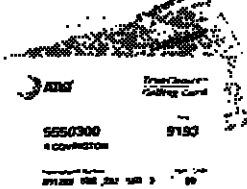
jail, told a judge in Los Angeles that she had suffered a relapse and used methamphetamine. She had been due to be sentenced for a federal conviction on money-laundering and tax-evasion charges related to the high-priced call-girl racket she ran in Hollywood, but that sentencing was postponed until Oct. 24.

California's top law enforcement official is not amused by "Doonesbury" episodes poking fun at a raid by narcotics agents on a San Francisco club. State Attorney General Dan Lungren called on Universal Press Syndicate, which distributes Garry Trudeau's cartoon strip, and California newspapers to "pull the plug" on this week's "Doonesbury" because of what his office called the strip's "inaccurate portrayal" of the San Francisco Cannabis Buyers' Club. The club has supplied marijuana to about 12,000 San Franciscans who it said were using the illegal drug to ease suffering caused by illnesses including AIDS, cancer and glaucoma. It was closed Aug. 4 by drug agents from the California Department of Justice, which is headed by Lungren. Californians will vote in November on a proposal to make it legal for the ill to use marijuana for medical purposes.



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